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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2012

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	**27-1200777**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
50 Cocoanut Row, Suite 211 Palm Beach, Florida	**33480**
(Address of Principal Executive Offices)	**(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	Name of Each Exchange on Which Registered
Common Shares of Beneficial Interest, par value $0.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☒

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	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the 13,908,907 common shares of beneficial interest held by non-affiliates of the registrant was $198,619,191.96 based on the closing sale price on the New York Stock Exchange for such common shares of beneficial interest as of June 29, 2012.

The number of common shares of beneficial interest outstanding as of March 06, 2013 was 17,582,680.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2013 Annual Meeting of Shareholders (to be filed with the Securities and Exchange Commission on or before May 17, 2013) are incorporated by reference into this Annual Report on Form 10-K in response to Part III hereof.

Chatham Lodging Trust

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identified by our use of words, such as “intend,” “plan,” “may,” “should,” “will,” “project,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “opportunity,” and similar expressions, whether in the negative or affirmative. All statements regarding our expected financial position, business and financing plans are forward-looking statements. Factors which could have a material adverse effect on our operations and future prospects include those discussed in “Business,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this Annual Report on Form 10-K. These risks and uncertainties should be considered in evaluating any forward-looking statement contained in this report or incorporated by reference herein.

All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section. We undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report, except as required by law.

PART I

Item 1. *Business*

Overview

Chatham Lodging Trust ("we," "us" or the "Company") was formed as a Maryland real estate investment trust ("REIT") on October 26, 2009. The Company is internally-managed and was organized to invest primarily in premium-branded upscale extended-stay and select-service hotels.

The Company completed its initial public offering (the "IPO") on April 21, 2010. The IPO resulted in the sale of 8,625,000 common shares at $20.00 per share, generating $172.5 million in gross proceeds. Net proceeds, after underwriters' discounts and commissions and other offering costs, were approximately $158.7 million. Concurrently with the closing of the IPO, in a separate private placement pursuant to Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), the Company sold 500,000 of its common shares to Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer ("Mr. Fisher"), at the public offering price of $20.00 per share, for proceeds of $10.0 million. On February 8, 2011, the Company completed a follow-on common share offering of 4,000,000 shares, generating gross proceeds of $73.6 million and net proceeds of approximately $69.4 million. On January 14, 2013, the Company completed a follow-on common share offering of 3,500,000 shares, generating gross proceeds of approximately $51.5 million and net proceeds of approximately $49.1 million. On January 31, 2013, the Company issued an additional 92,677 common shares pursuant to the exercise of the underwriters' over-allotment option in the offering that closed on January 14, 2013, generating gross proceeds of approximately $1.4 million and net proceeds of approximately $1.3 million.

The Company had no operations prior to the consummation of the IPO. Following the closing of the IPO, the Company contributed the net proceeds from the IPO and the concurrent private placement, as well as the net proceeds of our February 2011 offering and January 2013 offering, to Chatham Lodging, L.P. (the "Operating Partnership") in exchange for partnership interests in the Operating Partnership. Substantially all assets are held by, and all of the Company's operations are conducted through, the Operating Partnership. Chatham Lodging Trust is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership. Certain of our executive officers hold vested and unvested long-term incentive plan ("LTIP") units in the Operating Partnership, which are presented as noncontrolling interests on the consolidated balance sheets.

As of December 31, 2012, the Company owned 19 hotels with an aggregate of 2,536 rooms and held a 10.3% minority interest in a joint venture (the "JV") with Cerberus Capital Management ("Cerberus") which owns 55 hotels with an aggregate of 7,282 rooms. To qualify as a REIT, the Company cannot operate its 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 one of the Company's taxable REIT subsidiary ("TRS") holding companies. 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 room revenue. The initial term of each of the TRS leases is five years. Lease revenue from each TRS Lessee is eliminated in consolidation. The TRS Lessees have entered into management agreements with third party management companies that provide day-to-day management for the hotels. The Company indirectly owns its interest in 51 of the 55 JV hotels through the Operating Partnership, and the Company's interest in the remaining 4 JV hotels is held through one of the TRS holding companies. All of the JV hotels are leased to TRS Lessees in which the Company indirectly owns a 10.3% interest through one of the TRS holding companies. Island Hospitality Management Inc. ("IHM"), which is 90% owned by Mr. Fisher, managed 17 of the Company's wholly owned hotels at December 31, 2012 and Concord Hospitality Enterprises Company manages two of the Company's wholly owned hotels. All but one of the JV hotels were managed by IHM at December 31, 2012. One JV hotel was managed by Dimension Development Company.
On January 1, 2013, IHM took over management of this hotel from Dimension Development Company. One February 5, 2013, the Company acquired the 197 room Courtyard by Marriott Houston® Medical Center hotel in Houston, TX for $34.8 million. The Company funded the acquisition with borrowings under its secured revolving credit facility. The Houston hotel is managed by IHM.

Our wholly owned hotels includes upscale extended-stay hotels that operate under the Homewood Suites by Hilton® brand (eight hotels) and Residence Inn by Marriott® brand (six hotels), as well as premium-branded select-service hotels that operate under the Courtyard by Marriott® brand (one hotel), the Hampton Inn or Hampton Inn and Suites by Hilton® brand (two hotels), the SpringHill Suites by Marriott® brand (one hotel) and the Doubletree Suites by Hilton® brand (one hotel), which franchise agreement was terminated on January 31, 2013, is expected to be rebranded to a Residence Inn by Marriott® in May 2013.

As of December 31, 2012, we primarily invest in upscale extended-stay hotels such as Homewood Suites by Hilton® or Residence Inn by Marriott®. Upscale extended-stay hotels typically have the following characteristics:

- principal customer base includes business travelers who are on extended assignments and corporate relocations;
- services and amenities include complimentary breakfast and evening hospitality hour, high-speed internet access, in-room movie channels, limited meeting space, daily linen and room cleaning service, 24-hour front desk, guest grocery services, and an on-site maintenance staff; and
- physical facilities include large suites, quality construction, full separate kitchens in each guest suite, quality room furnishings, pool, and exercise facilities.

We also invest in premium-branded select-service hotels such as Courtyard by Marriott®, Hampton Inn and Suites® and SpringHill Suites by Marriott®. The service and amenity offerings of these hotels typically include complimentary breakfast, high-speed internet access, local calls, in-room movie channels, and daily linen and room cleaning service.

The following sets forth certain information with respect to our 19 wholly-owned hotels at December 31, 2012:

Property	Location	Management Company	Date of Acquisition	Year Opened	Number of Rooms (Unaudited)	Purchase Price	Purchase Price per Room (Unaudited)	Mortgage Debt Balance
Homewood Suites by Hilton Boston- Billerica/ Bedford/ Burlington	Billerica, Massachusetts	Island Hospitality	April 23, 2010	1999	147	$ 12.5 million	$ 85,714	—
Homewood Suites by Hilton Minneapolis-Mall of America	Bloomington, Minnesota	Island Hospitality	April 23, 2010	1998	144	$ 18.0 million	$ 125,000	—
Homewood Suites by Hilton Nashville- Brentwood	Brentwood, Tennessee	Island Hospitality	April 23, 2010	1998	121	$ 11.3 million	$ 93,388	—
Homewood Suites by Hilton Dallas- Market Center	Dallas, Texas	Island Hospitality	April 23, 2010	1998	137	$ 10.7 million	$ 78,102	—
Homewood Suites by Hilton Hartford- Farmington	Farmington, Connecticut	Island Hospitality	April 23, 2010	1999	121	$ 11.5 million	$ 95,041	—
Homewood Suites by Hilton Orlando- Maitland	Maitland, Florida	Island Hospitality	April 23, 2010	2000	143	$ 9.5 million	$ 66,433	—
Homewood Suites by Hilton Carlsbad (North San Diego County)	Carlsbad, California	Island Hospitality	November 3, 2010	2008	145	$ 32.0 million	$ 220,690	—
Hampton Inn & Suites Houston- Medical Center	Houston, Texas	Island Hospitality	July 2, 2010	1997	120	$ 16.5 million	$ 137,500	—
Courtyard Altoona	Altoona, Pennsylvania	Concord	August 24, 2010	2001	105	$ 11.3 million	$ 107,619	$ 6.6 million
Springhill Suites Washington	Washington, Pennsylvania	Concord	August 24, 2010	2000	86	$ 12.0 million	$ 139,535	$ 5.1 million
Residence Inn Long Island Holtsville	Holtsville, New York	Island Hospitality	August 3, 2010	2004	124	$ 21.3 million	$ 171,774	—
Residence Inn White Plains	White Plains, New York	Island Hospitality	September 23, 2010	1982	133	$ 21.2 million	$ 159,398	—
Residence Inn New Rochelle	New Rochelle, New York	Island Hospitality	October 5, 2010	2000	124	$ 21.0 million	$ 169,355	$15.4 million
Residence Inn Garden Grove	Garden Grove, CA	Island Hospitality	July 14, 2011	2003	200	$ 43.6 million	$ 218,000	$32.4 million
Residence Inn Mission Valley	San Diego, CA	Island Hospitality	July 14, 2011	2003	192	$ 52.5 million	$ 273,438	$39.6 million
Homewood Suites by Hilton San Antonio River Walk	San Antonio, TX	Island Hospitality	July 14, 2011	1996	146	$ 32.5 million	$ 222,603	$18.2 million
Doubletree Suites by Hilton Washington DC (1)	Washington, DC	Island Hospitality	July 14, 2011	1974	105	$ 29.4 million	$ 280,000	$ 19.7 million
Residence Inn Tysons Corner	Vienna, VA	Island Hospitality	July 14, 2011	2001	121	$ 37.0 million	$ 305,785	$ 22.7 million
Hampton Inn Portland Downtown	Portland, ME	Island Hospitality	December 27, 2012	2011	122	$ 28.0 million	$ 229,508	—
Total Average					**2,536**	**$ 431.8 million**	**$ 170,268**	**$159.7 million**

(1)The Doubletree franchise agreement was terminated on January 31, 2013 and is expected to be rebranded as a Residence Inn by Marriott in May 2013.

Financial Information About Industry Segments

We evaluate all of our hotels as a single industry segment because all of our hotels have similar economic characteristics and provide similar services to similar types of customers. Accordingly, we do not report segment information.

Business Strategy

Our primary objective is to generate attractive returns for our shareholders through investing in hotel properties (whether wholly owned or through a joint venture) at prices that provide strong returns on invested

capital, paying dividends and generating long-term value appreciation. We believe we can create long-term value by pursuing the following strategies:

- *Disciplined acquisition of hotel properties:* We invest primarily in premium-branded upscale extended-stay and select-service hotels with a focus on the 25 largest metropolitan markets in the United States. We focus on acquiring hotel properties at prices below replacement cost in markets that have strong demand generators and where we expect demand growth will outpace new supply. We also seek to acquire properties that we believe are undermanaged or undercapitalized. We currently do not intend to engage in new hotel development.
- *Opportunistic hotel repositioning:* We employ value-added strategies, such as re-branding, renovating, or changing management, when we believe such strategies will increase the operating results and values of the hotels we acquire.
- *Aggressive asset management:* Although as a REIT we cannot operate our hotels, we proactively manage our third-party hotel managers in seeking to maximize hotel operating performance. Our asset management activities seek to ensure that our third-party hotel managers effectively utilize franchise brands' marketing programs, develop effective sales management policies and plans, operate properties efficiently, control costs, and develop operational initiatives for our hotels that increase guest satisfaction. As part of our asset management activities, we regularly review opportunities to reinvest in our hotels to maintain quality, increase long-term value and generate attractive returns on invested capital.
- *Flexible selection of hotel management companies:* We are flexible in our selection of hotel management companies and select managers that we believe will maximize the performance of our hotels. We utilize both independent management companies, including IHM, a hotel management company 90% owned by Mr. Fisher that currently manages 17 of our hotels and all but one of the hotels owned by the JV. We believe this strategy increases the universe of potential acquisition opportunities we can consider because many hotel properties are encumbered by long-term management contracts.
- *Selective investment in hotel debt:* We may consider selectively investing in debt collateralized by hotel property if we believe we can foreclose on or acquire ownership of the underlying hotel property in the relative near term. We do not intend to invest in any debt where we do not expect to gain ownership of the underlying property or to originate any debt financing.

We plan to maintain a prudent capital structure and intend to maintain our leverage over the long term at a ratio of net debt to investment in hotels (at cost) (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges) to less than 35 percent measured at the time we incur debt, and a subsequent decrease in hotel property values will not necessarily cause us to repay debt to comply with this limitation. Our Board of Trustees believes that temporarily increasing our leverage limit at this stage of the lodging cycle recovery is prudent to take advantage of the opportunity to buy hotels in the near term. At December 31, 2012, our leverage ratio was 51 percent. Over time, we intend to finance our growth with issuances of common and preferred shares and debt. Our debt may include mortgage debt collateralized by our hotel properties and unsecured debt.

When purchasing hotel properties, we may issue limited partnership interests in our operating partnership as full or partial consideration to sellers who may desire to take advantage of tax deferral on the sale of a hotel or participate in the potential appreciation in value of our common shares.

Competition

We face competition for investments in hotel properties from institutional pension funds, private equity investors, REITs, hotel companies and others who are engaged in hotel investments. Some of these entities have substantially greater financial and operational resources than we have. This competition may increase the bargaining power of property owners seeking to sell, reduce the number of suitable investment opportunities available to us and increase the cost of acquiring our targeted hotel properties.

The lodging industry is highly competitive. Our hotels compete with other hotels for guests in each market in which they operate. Competitive advantage is based on a number of factors, including location, convenience, brand affiliation, room rates, range of services and guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual markets in which our hotels are located and includes competition from existing and new hotels. Competition could adversely affect our occupancy rates and Revenue per Available Room ("RevPAR"), and may require us to provide additional amenities or make capital improvements that we otherwise would not have to make, which may reduce our profitability.

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 make distributions to our equity holders.

Regulation

Our properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe each of our hotels has the necessary permits and approvals to operate its business, and each is adequately covered by insurance.

Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990 ("ADA") to the extent that such properties are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance, and one or more properties may not be fully compliant with the ADA.

In March 2012, a substantial number of changes to the Accessibility Guidelines under the ADA took effect. The new guidelines have caused some of our hotel properties to incur costs to become fully compliant.

If we are required to make substantial modifications to our hotel properties, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders could be adversely affected. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate.

Environmental Regulations

Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on our return from such investment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by release of hazardous substances and for property contamination. For instance, a person exposed to asbestos while working at or staying in a hotel may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental issues restrict the use of a property or place conditions on various activities. One example is laws that require a business using chemicals to manage them carefully and to notify local officials if regulated spills occur.

Although it is our policy to require an acceptable Phase I environmental survey for all real property in which we invest, such surveys are limited in scope and there can be no assurance that there are no hazardous or toxic substances on such property that we would purchase. We cannot assure you that:

- There are not existing environmental liabilities related to our properties of which we are not aware
- future laws, ordinances or regulations will not impose material environmental liability; or
- the current environmental condition of a hotel will not be affected by the condition of properties in the vicinity of the hotel (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

Tax Status

We elected to be taxed as a REIT for federal income tax purposes commencing with our short taxable year ended December 31, 2010 under the Internal Revenue Code of 1986, as amended (the “Code”). Our qualification as a REIT depends upon our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares of beneficial interest. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our current and intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT for federal income tax purposes.

As a REIT, we generally will not be subject to federal income tax on our REIT taxable income that we distribute currently to our shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute each year at least 90% of their taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If we fail to qualify for taxation as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our income for that year will be taxed at regular corporate rates, and we will be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and assets and to federal income and excise taxes on our undistributed income. Additionally, any income earned by our TRS Lessees will be fully subject to federal, state and local corporate income tax. Moreover, our TRS holding company that indirectly owns our interest in four of the JV hotels will be subject to federal, state and local corporate income tax on its allocable share of all of the income from those hotels.

Hotel Management Agreements

Our management agreements with Concord, the manager of the Altoona, Pennsylvania Courtyard and the Washington, Pennsylvania SpringHill Suites, provide for base management fees equal to 4% of the managed hotel’s gross room revenue. The initial ten-year term of each management agreement expires on February 28, 2017 and will renew automatically for successive one-year terms unless terminated by our TRS lessee or the manager by written notice to the other party no later than 90 days prior to the then current term’s expiration date. The management agreements may be terminated for cause, including the failure of the managed hotel operating performance to meet specified levels. If we were to terminate the management agreements during the first nine years of the term other than for breach or default by the manager, we may be responsible for paying termination fees to the manager.

Upon acquisition, we assumed the existing hotel management agreements in place at six of our hotels — the Boston-Billerica Homewood Suites, Minneapolis-Bloomington Homewood Suites, Nashville-Brentwood Homewood Suites, Dallas Homewood Suites, Hartford-Farmington Homewood Suites and Orlando-Maitland Homewood Suites — all of which were managed by Promus Hotels, Inc., a subsidiary of Hilton Hotels Worldwide ("Hilton"). Each of these management agreements was terminated and new management agreements were entered into with IHM, which is 90% owned by Mr. Fisher.

All of our remaining hotels are managed by IHM, which is 90% owned by Mr. Fisher. Our management agreements with IHM have an initial term of five years and may be renewed for two five-year periods at IHM's option by written notice to us no later than 90 days prior to the then current term's expiration date. The IHM management agreements provide for early termination at our 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. Management agreements with IHM provide for a base management fee of 3% of the managed hotel's gross revenues for the Hampton Inn & Suites Houston, TX, Residence Inn Holtsville, NY, Residence Inn White Plains, NY, Residence Inn New Rochelle, NY, Homewood Suites Carlsbad, CA and Hampton Inn Portland, ME; 2.5% of the managed hotel's gross revenues for the Residence Inn Garden Grove, CA, Residence Inn San Diego, CA, Homewood Suites San Antonio, TX, Washington Guest Suites (which is expected to be re-branded as a Residence Inn in May 2013) in Washington, DC and Residence Inn Tysons Corner, VA and 2% for the six hotels previously managed by Hilton. Our management agreements with IHM provide for accounting fees of $1,000 per month per hotel, revenue management fees up to $550 per month and, if certain financial thresholds are met or exceeded, an incentive management fee equal to 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.

Hotel Franchise Agreements

One of the Company's TRS Lessees has entered into hotel franchise agreements with Promus Hotels, Inc., a subsidiary of Hilton, for our eight Homewood Suites by Hilton® hotels. Each of the hotel franchise agreements has an initial term ranging from 15-18 years. These Hilton hotel franchise agreements provide for a franchise royalty fee up to 6% of the hotel's gross room revenue and a program fee equal to 4% of the hotel's gross room revenue. The Hilton franchise agreements provide that the franchisor may terminate the franchise agreement in the event that the applicable franchisee fails to cure an event of default, or in certain circumstances such as the franchisee's bankruptcy or insolvency, are terminable by Hilton at will.

One of the Company's TRS Lessees has entered into franchise agreements with Marriott International, Inc., ("Marriott"), relating to our Residence Inn properties in Holtsville, New York, New Rochelle, New York, White Plains, New York, Garden Grove, CA, San Diego, CA and Vienna, VA, our Courtyard property in Altoona, Pennsylvania and Houston, TX and our SpringHill Suites property in Washington, Pennsylvania. These franchise agreements have initial terms ranging from 15 to 20 years and will expire between 2025 and 2031. None of the agreements has a renewal option. The Marriott franchise agreements provide for franchise fees ranging from 5.0% to 5.5% of the hotel's gross room sales and marketing fees ranging from 2.0% to 3.0% of the hotel's gross room sales. The Marriott franchise agreements are terminable by Marriott in the event that the applicable franchisee fails to cure an event of default or, in certain circumstances such as the franchisee's bankruptcy or insolvency, are terminable by Marriott at will. The Marriott franchise agreements provide that, in the event of a proposed transfer of the hotel, our TRS Lessee's interest in the agreement or more than a specified amount of the TRS Lessee to a competitor of Marriott, Marriott has the right to purchase or lease the hotel under terms consistent with those contained in the respective offer and may terminate if our TRS Lessee elects to proceed with such a transfer.

One of the Company's TRS Lessees has entered into franchise agreements with Hampton Inns Franchise LLC ("Hampton Inns"), relating to the Hampton Inn & Suites® Houston-Medical Center and Hampton Inn® Portland Downtown. The franchise agreement for the Houston hotel has an initial term of approximately 10 years and expires

on July 31, 2020. The franchise agreement for the Portland hotel has an initial term of approximately 20 years and expires on February 29, 2032. Each of the Hampton Inns franchise agreements provides for a monthly program fee equal to 4% of the hotel's gross rooms revenue and a monthly royalty fees ranging from 5% to 6% of the hotel's gross rooms revenue. Neither of the agreements has a renewal option. Hampton Inns may terminate the franchise agreement in the event that the franchisee fails to cure an event of default or, in certain circumstances such as the franchisee's bankruptcy or insolvency, Hampton Inns may terminate the agreement at will.

The franchise agreement with Doubletree Franchise LLC, relating to the Doubletree Guest Suites by Hilton in Washington, DC was terminated with no penalty on January 31, 2013 in connection with the re-branding of the hotel to a Residence Inn by Marriott, which is expected to be completed in May 2013. The Company expects to incur $4.4 million to re-brand the hotel to a Residence Inn by Marriott. The term of the new agreement has initial term of 20 years. The agreement does not have a renewal option. The Marriott franchise agreement provides for franchise fee of 5.5% of the hotel's gross room sales and marketing fees ranging of 2.5% of the hotel's gross room sales.

Ground Leases

The Altoona hotel is subject to a ground lease with an expiration date of April 30, 2029 with an option of up to 12 additional terms of five years each. Monthly payments are determined by the quarterly average room occupancy of the hotel. Rent is equal to approximately $7,000 per month when monthly occupancy is less than 85% and can increase up to approximately $20,000 per month if occupancy is 100%, with minimum rent increased on an annual basis by two and one-half percent (2.5%).

At the New Rochelle Residence Inn, there is 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 fund for the cost of capital repairs.

The following is a schedule of the minimum future obligation payments required under the ground, air rights and garage leases for the next five years and thereafter as of December 31, 2012 (in thousands):

	Amount
2013	$ 205
2014	207
2015	210
2016	212
2017	214
Thereafter	11,445
Total	$12,493

Employees

As of March 7, 2013, we had 25 employees, 19 of which are shared with or allocated to the JV. All persons employed in the day-to-day operations of our hotels are employees of the management companies engaged by our TRS Lessees to operate such hotels. None of our employees is represented by a collective bargaining agreement.

Available Information

Our Internet website is www.chathamlodgingtrust.com. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports on Forms 3,4 and 5 and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable

after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). In addition, our website includes corporate governance information, including the charters for committees of the Board of Trustees, our Corporate Governance Guidelines, Conflict of Interest Policy and our Code of Business Conduct. This information is available in print to any shareholder who requests it by writing to Investor Relations, Chatham Lodging Trust, 50 Cocoanut Row, Suite 211, Palm Beach, FL 33480. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings that we make with the SEC.

Item 1A. Risk Factors

Our business faces many risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently believe are immaterial may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, financial condition or results of operations could suffer, our ability to make cash distributions to our shareholders could be impaired and the trading price of our common shares could decline. You should know that many of the risks described may apply to more than just the subsection in which we grouped them for the purpose of this presentation.

Risks Related to Our Business

Our investment policies are subject to revision from time to time at our board's discretion, which could diminish shareholder returns below expectations.

Our investment policies may be amended or revised from time to time at the discretion of our Board of Trustees, without a vote of our shareholders. Such discretion could result in investments that may not yield returns consistent with investors' expectations.

We depend on the efforts and expertise of our key executive officers whose continued service is not guaranteed.

We depend on the efforts and expertise of our chief executive officer, as well as our other senior executives, to execute our business strategy. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our business.

If we are unable to successfully manage our growth, our operating results and financial condition could be adversely affected.

Our ability to grow our business depends upon our senior executive officers' business contacts and their ability to successfully hire, train, supervise and manage additional personnel. We may not be able to hire and train sufficient personnel or develop management, information and operating systems suitable for our expected growth. If we are unable to manage any future growth effectively, our operating results and financial condition could be adversely affected.

Our future growth depends on obtaining new financing and if we cannot secure financing in the future, our growth will be limited.

The success of our growth strategy depends on access to capital through use of excess cash flow, borrowings or subsequent issuances of common shares or other securities. Acquisitions of new hotel properties will require significant additional capital and existing hotels require periodic capital improvement initiatives to remain competitive. We may not be able to fund acquisitions or capital improvements solely from cash provided from our operating activities because we must distribute at least 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gains) each year to satisfy the requirements for qualification as a REIT for federal income tax purposes. As a result, our ability to fund capital expenditures for acquisitions through retained earnings is very limited. Our ability to grow through acquisitions of hotels will

be limited if we cannot obtain satisfactory debt or equity financing, which will depend on capital markets conditions. We cannot assure you that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms.

We may be unable to invest proceeds from offerings of our securities.

We will have broad authority to invest the net proceeds of any offering of our securities in any real estate investments that we may identify in the future, and we may use those proceeds to make investments with which you may not agree. In addition, our investment policies may be amended or revised from time to time at the discretion of our Board of Trustees, without a vote of our shareholders. These factors will increase the uncertainty, and thus the risk, of investing in our common shares. Our failure to apply the net proceeds of any offering effectively or to find suitable hotel properties to acquire in a timely manner or on acceptable terms could result in returns that are substantially below expectations or result in losses.

Until appropriate investments can be identified, we may invest the net proceeds of any offering of our securities in interest-bearing short-term securities or money-market accounts that are consistent with our intention to qualify as a REIT. These investments are expected to provide a lower net return than we seek to achieve from our hotel properties. We may be unable to invest the net proceeds on acceptable terms, or at all, which could delay shareholders from receiving an appropriate return on their investment. We cannot assure you that we will be able to identify properties that meet our investment criteria, that we will successfully consummate any investment opportunities we identify, or that investments we may make will generate income or cash flow.

We must rely on third-party management companies to operate our hotels in order to qualify as a REIT under the Code and, as a result, we have less control than if we were operating the hotels directly.

In order for us to qualify as a REIT under the Code, third parties must operate our hotels. We lease each of our hotels to our TRS Lessees. The TRS Lessees, in turn, have entered into management agreements with third party management companies to operate our hotels. While we expect to have some input on operating decisions for those hotels leased by our TRS Lessees and operated under management agreements, we have less control than if we were managing the hotels ourselves. Even if we believe that our hotels are not being operated efficiently, we may not be able to require an operator to change the way it operates our hotels. If this is the case, we may decide to terminate the management agreement and potentially incur costs associated with the termination. Additionally, Jeffrey H. Fisher, our chief executive officer, controls IHM, a hotel management company that manages 17 of our hotels and all but one of the 55 hotels owned by the JV as of December 31, 2012, and may manage additional hotels that we acquire in the future. See “There are conflicts of interest between us and affiliates owned by our Chief Executive Officer” below.

Our management agreements could adversely affect the sale or financing of hotel properties and, as a result, our operating results and ability to make distributions to our shareholders could suffer.

While we would prefer to enter into flexible management contracts that will provide us with the ability to replace hotel managers on relatively short notice and with limited cost, we may enter into, or acquire properties subject to, management contracts that contain more restrictive covenants. For example, the terms of some management agreements may restrict our ability to sell a property unless the purchaser is not a competitor of the manager and assumes the related management agreement and meets specified other conditions. Also, the terms of a long-term management agreement encumbering our properties may reduce the value of the property. If we enter into or acquire properties subject to any such management agreements, we may be precluded from taking actions that would otherwise be in our best interest or could cause us to incur substantial expense, which could adversely affect our operating results and our ability to make distributions to shareholders. Moreover, the management agreements that we use in connection with hotels managed by IHM were not negotiated on an arm’s-length basis due to Mr. Fisher’s control of IHM and therefore may not contain terms as favorable to us as we could obtain in an arm’s-length transaction with a third party. See “See there are conflicts of interest between us and affiliates owned by our Chief Executive Officer” below.

Our franchisors could cause us to expend additional funds on upgraded operating standards, which may reduce cash available for distribution to shareholders.

Our hotels operate under franchise agreements, and we may become subject to the risks that are found in concentrating our hotel properties in one or several franchise brands. Our hotel operators must comply with operating standards and terms and conditions imposed by the franchisors of the hotel brands under which our hotels operate. Pursuant to certain of the franchise agreements, certain upgrades are required every five to six years, and the franchisors may also impose upgraded or new brand standards, such as substantially upgrading the bedding, enhancing the complimentary breakfast or increasing the value of guest awards under its 'frequent guest' program, which can add substantial expense for the hotel. The franchisors also may require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial and may reduce cash available for distribution to our shareholders.

Our franchisors may cancel or fail to renew our existing franchise licenses, which could adversely affect our operating results and our ability to make distributions to shareholders.

Our franchisors periodically inspect our hotels to confirm adherence to the franchisors' operating standards. The failure of a hotel to maintain standards could result in the loss or cancellation of a franchise license. We rely on our hotel managers to conform to operational standards. In addition, when the term of a franchise expires, the franchisor has no obligation to issue a new franchise. The loss of a franchise could have a material adverse effect on the operations or the underlying value of the affected hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. The loss of a franchise or adverse developments with respect to a franchise brand under which our hotels operate could also have a material adverse effect on our financial condition, results of operations and cash available for distribution to shareholders.

Fluctuations in our financial performance, capital expenditure requirements and excess cash flow could adversely affect our ability to make and maintain distributions to our shareholders.

As a REIT, we are required to distribute at least 90% of our REIT taxable income each year to our shareholders (determined before the deduction for dividends paid and excluding any net capital gains). In the event of downturns in our operating results and financial performance or unanticipated capital improvements to our hotels (including capital improvements that may be required by franchisors), we may be unable to declare or pay distributions to our shareholders, or maintain our then-current dividend rate. The timing and amount of distributions are in the sole discretion of our Board of Trustees, which considers, among other factors, our financial performance, debt service obligations and applicable debt covenants (if any), and capital expenditure requirements. We cannot assure you we will generate sufficient cash in order to continue to fund distributions.

Among the factors which could adversely affect our results of operations and distributions to shareholders are reductions in hotel revenues; increases in operating expenses at the hotels leased to our TRS Lessees; increased debt service requirements, including those resulting from higher interest rates on variable rate indebtedness; cash demands from the joint venture and capital expenditures at our hotels, including capital expenditures required by the franchisors of our hotels. Hotel revenue can decrease for a number of reasons, including increased competition from new hotels and decreased demand for hotel rooms. These factors can reduce both occupancy and room rates at hotels and could directly affect us negatively by:

- reducing the hotel revenue that we recognize with respect to hotels leased to our TRS Lessees; and
- correspondingly reducing the profits (or increasing the loss) of hotels leased to our TRS Lessees. We may be unable to reduce many of our expenses in tandem with revenue declines, (or we may choose not to reduce them for competitive reasons), and certain expenses may increase while our revenue declines.

Future debt service obligations could adversely affect our overall operating results or cash flow and may require us to liquidate our properties, which could adversely affect our ability to make distributions to our shareholders and our share price.

We intend to use secured and unsecured debt to finance long-term growth. While we intend to target overall debt levels of less than 35% of our investment in hotels (at cost) (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges), our Board of Trustees may change this financing policy at any time without shareholder approval. As a result, we may be able to incur substantial additional debt, including secured debt, in the future. During 2011, our Board of Trustees authorized an increase in our leverage above this target, excluding our pro rata share of assets and liabilities of the JV. Incurring additional debt could subject us to many risks, including the risks that:

- operating cash flow will be insufficient to make required payments of principal and interest;
- our leverage may increase our vulnerability to adverse economic and industry conditions;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing cash available for distribution to our shareholders, funds available for operations and capital expenditures, future business opportunities or other purposes;
- the terms of any refinancing will not be as favorable as the terms of the debt being refinanced; and
- the terms of our debt may limit our ability to make distributions to our shareholders.

If we violate covenants in our debt agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all.

If we are unable to repay our debt obligations in the future, we may be forced to refinance debt or dispose of or encumber our assets, which could adversely affect distributions to shareholders.

If we do not have sufficient funds to repay our outstanding debt at maturity or before maturity in the event we breach our debt agreements and our lenders exercise their right to accelerate repayment, we may be required to refinance the debt through additional debt or additional equity financings. Covenants applicable to our existing and future debt could impair our planned investment strategy and, if violated, result in a default. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of hotel properties on disadvantageous terms, potentially resulting in losses. We have placed mortgages on certain of our hotel properties to secure our credit facility, have assumed mortgages on other hotels we acquired and may place additional mortgages on certain of our hotels to secure other debt. To the extent we cannot meet any future debt service obligations, we will risk losing some or all of our hotel properties that are pledged to secure our obligations to foreclosure.

Interest expense on our debt may limit our cash available to fund our growth strategies and shareholder distributions.

Higher interest rates could increase debt service requirements on debt under our credit facility and any floating rate debt that we incur in the future and could reduce the amounts available for distribution to our shareholders, as well as reduce funds available for our operations, future business opportunities, or other purposes. Interest expense on our credit facility is based on floating interest rates.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations and our ability to make shareholder distributions.

We may obtain in the future one or more forms of interest rate protection — in the form of swap agreements, interest rate cap contracts or similar agreements — to hedge against the possible negative effects of

interest rate fluctuations. However, such hedging implies costs and we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreement will honor their obligations there under. Furthermore, any such hedge agreements would subject us to the risk of incurring significant non-cash losses on our hedges due to declines in interest rates if our hedges were not considered effective under applicable accounting standards.

Joint venture investments that we make could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition and disputes between us and our joint venture partners.

We are co-investors with Cerberus in the JV, which owns 55 hotels, and we may invest in additional joint ventures in the future. We may not be in a position to exercise sole decision-making authority regarding the properties owned through the JV or other joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including reliance on our joint venture partners and the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions, thus exposing us to liabilities in excess of our share of the investment. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner would have full control over the partnership or joint venture. Any disputes that may arise between us and our joint venture partners may result in litigation or arbitration that would increase our expenses and prevent our officers and/or trustees from focusing their time and effort on our business. Consequently, actions by, or disputes with, our joint venture partners might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

It may be difficult for us to exit a joint venture after an impasse with our co-venturer.

In our joint ventures, there will be a potential risk of impasse in some joint venture decisions because our approval and the approval of each co-venturer will be required for some decisions. The types of decisions that would require the approval of each co-venturer would be determined under the joint venture agreement between the parties, but those types of decisions are likely to include borrowing above a certain level or disposing of assets. In any joint venture, we may have the right to buy our co-venturer's interest or to sell our own interest on specified terms and conditions in the event of an impasse regarding a sale. However, it is possible that neither party will have the funds necessary to complete such a buy-out. In addition, we may experience difficulty in locating a third-party purchaser for our joint venture interest and in obtaining a favorable sale price for the interest. As a result, it is possible that we may not be able to exit the relationship if an impasse develops. In addition, there is no limitation under our declaration of trust and bylaws as to the amount of funds that we may invest in joint ventures. Accordingly, we may invest a substantial amount of our funds in joint ventures which ultimately may not be profitable as a result of disagreements with or among our co-venturers.

The Company does not have sole control of the JV and may be required to contribute additional capital in the event of a capital call.

The Company's ownership interest in the JV is subject to change in the event that either Chatham or Cerberus calls for additional capital contributions to the JV necessary for the conduct of business, including contributions to fund costs and expenses related to capital expenditures. Cerberus may also approve certain actions by the JV without the Company's consent, including certain property dispositions conducted at arm's length, certain actions related to the restructuring of the JV and the removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the joint venture agreement.

Our Operating Partnership acts as guarantor under certain debt obligations of the JV.

In connection with certain non-recourse Cerberus JV mortgage loans, our Operating Partnership could be required to repay portions of the indebtedness, up to an amount commensurate with our 10.3% interest in the

Cerberus JV, in connection with certain customary non-recourse carve-out provisions such as environmental conditions, misuse of funds and material misrepresentations.

We may from time to time make distributions to our shareholders in the form of our common shares, which could result in shareholders incurring tax liability without receiving sufficient cash to pay such tax.

Although we have no current intention to do so, we may, if possible, in the future distribute taxable dividends that are payable in cash or common shares at the election of each shareholder. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, shareholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. shareholder sells the common shares that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our shares at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common shares. In addition, if a significant number of our shareholders determine to sell common shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common shares.

Our conflict of interest policy may not be successful in eliminating the influence of future conflicts of interest that may arise between us and our trustees, officers and employees.

We have adopted a policy that any transaction, agreement or relationship in which any of our trustees, officers or employees has a direct or indirect pecuniary interest must be approved by a majority of our disinterested trustees. Other than this policy, however, we have not adopted and may not adopt additional formal procedures for the review and approval of conflict of interest transactions generally. As such, our policies and procedures may not be successful in eliminating the influence of conflicts of interest.

There are conflicts of interest between us and affiliates owned by our Chief Executive Officer.

Our chief executive officer, Mr. Fisher, owns 90% of IHM, a hotel management company that manages 17 of our hotels and all but one of the 55 hotels own by the JV as of December 31, 2012, and may manage additional hotels that we acquire or own in the future. Because Mr. Fisher is our Chief Executive Officer and controls IHM, conflicts of interest may arise between us and Mr. Fisher as to whether and on what terms new management contracts will be awarded to IHM, whether and on what terms management agreements will be renewed upon expiration of their terms, enforcement of the terms of the management agreements and whether hotels managed by IHM will be sold.

Risks Related to the Lodging Industry

The lodging industry has experienced significant declines in the past and failure of the lodging industry to exhibit improvement may adversely affect our ability to execute our business strategy.

The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. GDP. It is also sensitive to business and personal discretionary spending levels. Declines in corporate budgets and consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence or adverse political conditions can lower the revenues and profitability of our future hotel properties and therefore the net operating profits of our TRSs.

A substantial part of our business strategy is based on the belief that the lodging markets in which we invest will continue to experience improving economic fundamentals in the future. We cannot predict the extent to which lodging industry fundamentals will continue to improve. In the event conditions in the industry do not

continue to improve as we expect, or deteriorate, our ability to execute our business strategy would be adversely affected, which could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Our ability to make distributions to our shareholders may be affected by various operating risks common in the lodging industry.

Hotel properties are subject to various operating risks common to the hotel industry, many of which are beyond our control, including:

- competition from other hotel properties in our prospective markets, some of which may have greater marketing and financial resources;
- an over-supply or over-building of hotel properties in our prospective markets, which could adversely affect occupancy rates and revenues;
- dependence on business and commercial travelers and tourism;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- necessity for periodic capital reinvestment to repair and upgrade hotel properties;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- unforeseen events beyond our control, such as terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu and SARS, political instability, regional hostilities, imposition of taxes or surcharges by regulatory authorities, travel related accidents and unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes;
- adverse effects of a downturn in the economy or in the hotel industry; and
- risk generally associated with the ownership of hotel properties and real estate, as we discuss in detail below.

These factors could reduce the net operating profits of our TRSs and the rental income we receive from our TRS Lessees, which in turn could adversely affect our ability to make distributions to our shareholders.

Competition for acquisitions may reduce the number of properties we can acquire.

We compete for hotel investment opportunities with competitors that may have a different tolerance for risk or have substantially greater financial resources than are available to us. This competition may generally limit the number of hotel properties that we are able to acquire and may also increase the bargaining power of hotel owners seeking to sell, making it more difficult for us to acquire hotel properties on attractive terms, or at all.

Competition for guests may lower our hotels' revenues and profitability.

The upscale extended-stay and mid-price segments of the hotel business are highly competitive. Our hotels compete on the basis of location, room rates and quality, service levels, reputation, and reservation systems, among many other factors. Many competitors have substantially greater marketing and financial resources than

our operators or us. New hotels create new competitors, in some cases without corresponding increases in demand for hotel rooms. The result in some cases may be lower revenue, which would result in lower cash available for distribution to shareholders.

The seasonality of the hotel industry may cause fluctuations in our quarterly revenues that cause us to borrow money to fund distributions to shareholders.

Some hotel properties have business that is seasonal in nature. This seasonality can be expected to cause quarterly fluctuations in revenues. Quarterly earnings may be adversely affected by factors outside our control, including weather conditions and poor economic factors. As a result, we may have to enter into short-term borrowings in order to offset these fluctuations in revenue and to make distributions to shareholders.

The cyclical nature of the lodging industry may cause the return on our investments to be substantially less than we expect.

The lodging industry is highly cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affects levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging industry's performance and overbuilding has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. Decline in lodging demand, or a continued growth in lodging supply, could result in returns that are substantially below expectations or result in losses, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our shareholders.

Due to our concentration in hotel investments, a downturn in the lodging industry would adversely affect our operations and financial condition.

Our entire business is related to the hotel industry. Therefore, a downturn in the hotel industry, in general, will have a material adverse effect on our revenues, net operating profits and cash available to distribute to shareholders.

The ongoing need for capital expenditures at our hotel properties may adversely affect our financial condition and limit our ability to make distributions to our shareholders.

Hotel properties have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. The franchisors of our hotels also require periodic capital improvements as a condition of keeping the franchise licenses. In addition, our lenders require us to set aside amounts for capital improvements to our hotel properties. These capital improvements may give rise to the following risks:

- possible environmental problems;
- construction cost overruns and delays;
- possibility that revenues will be reduced temporarily while rooms or restaurants offered are out of service due to capital improvement projects;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available on affordable terms;
- uncertainties as to market demand or a loss of market demand after capital improvements have begun; and
- disputes with franchisors/managers regarding compliance with relevant management/franchise agreements.

The costs of all these capital improvements could adversely affect our financial condition and amounts available for distribution to our shareholders.

The increasing use of Internet travel intermediaries by consumers may adversely affect our profitability.

Some of our hotel rooms are booked through Internet travel intermediaries, including, but not limited to, Travelocity.com, Expedia.com and Priceline.com. As Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us and our management companies. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our properties are franchised. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of sales made through Internet intermediaries increases significantly, room revenues may flatten or decrease and our profitability may be adversely affected.

We and our hotel managers rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We and our hotel managers rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as individually identifiable information, including information relating to financial accounts. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations.

Future terrorist attacks or changes in terror alert levels could adversely affect travel and hotel demand.

Previous terrorist attacks and subsequent terrorist alerts have adversely affected the U.S. travel and hospitality industries over the past several years, often disproportionately to the effect on the overall economy. The impact that terrorist attacks in the U.S. or elsewhere could have on domestic and international travel and our business in particular cannot be determined but any such attacks or the threat of such attacks could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties and our results of operations and financial condition.

Uninsured and underinsured losses could adversely affect our operating results and our ability to make distributions to our shareholders.

We maintain comprehensive insurance on each of our hotel properties, including liability, terrorism, fire and extended coverage, of the type and amount customarily obtained for or by hotel property owners. There can be no assurance that such coverage will continue to be available at reasonable rates. Various types of catastrophic losses, like earthquakes and floods and losses from foreign terrorist activities such as those on September 11, 2001 or losses from domestic terrorist activities such as the Oklahoma City bombing may not be insurable or

may not be insurable on reasonable economic terms. Lenders may require such insurance and failure to obtain such insurance could constitute a default under loan agreements. Depending on our access to capital, liquidity and the value of the properties securing the affected loan in relation to the balance of the loan, a default could have a material adverse effect on our results of operations and ability to obtain future financing.

In the event of a substantial loss, insurance coverage may not be sufficient to cover the full current market value or replacement cost of the lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we invested in a hotel property, as well as the anticipated future revenue from that particular hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property.

Noncompliance with environmental laws and governmental regulations could adversely affect our operating results and our ability to make distributions to shareholders.

Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on our return from such investment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by release of hazardous substances and for property contamination. For instance, a person exposed to asbestos while working at or staying in a hotel may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental issues restrict the use of a property or place conditions on various activities. One example is laws that require a business using chemicals to manage them carefully and to notify local officials if regulated spills occur.

Although it is our policy to require an acceptable Phase I environmental survey for all real property in which we invest, such surveys are limited in scope and there can be no assurance that there are no hazardous or toxic substances on such property that we would purchase. We cannot assure you:

- There are no existing liabilities related to our properties of which we are not aware;
- that future laws, ordinances or regulations will not impose material environmental liability; or
- that the current environmental condition of a hotel will not be affected by the condition of properties in the vicinity of the hotel (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

Compliance with the ADA and other changes in governmental rules and regulations could substantially increase our cost of doing business and adversely affect our operating results and our ability to make distributions to our shareholders.

Our hotel properties are subject to the ADA. Under the ADA, all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. Although we intend to continue to acquire assets that are substantially in compliance with the ADA, we may incur additional costs of complying with the ADA at the time of acquisition and from time-to-time in the future to stay in compliance with

any changes in the ADA. A number of additional federal, state and local laws exist that also may require modifications to our investments, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Additional legislation may impose further burdens or restrictions on owners with respect to access by disabled persons. If we were required to make substantial modifications at our properties to comply with the ADA or other changes in governmental rules and regulations, our ability to make expected distributions to our shareholders could be adversely affected.

In March 2012, a substantial number of changes to the Accessibility Guidelines under the ADA took effect. The new guidelines caused some of our hotel properties to incur costs to become fully compliant.

If we are required to make substantial modifications to our hotel properties, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders could be adversely affected. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate.

General Risks Related to Real Estate Industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our hotel properties and adversely affect our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties in our portfolio in response to changing economic, financial and investment conditions may be limited. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses, and acts of war or terrorism.

We may seek to sell hotel properties in the future. There can be no assurance that we will be able to sell any hotel property on acceptable terms.

If financing for hotel properties is not available or is not available on attractive terms, it will adversely impact the ability of third parties to buy our hotels. As a result, we may hold our hotel properties for a longer period than we would otherwise desire and may sell hotels at a loss.

We may be required to expend funds to correct defects or to make improvements before a hotel property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a hotel property, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could have a material adverse effect on our operating results and financial condition, as well as our ability to pay distributions to shareholders.

Increases in our property taxes would adversely affect our ability to make distributions to our shareholders.

Hotel properties are subject to real and personal property taxes. These taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. In particular, our property taxes

could increase following our hotel purchases as the acquired hotels are reassessed. If property taxes increase, our financial condition, results of operations and our ability to make distributions to our shareholders could be materially and adversely affected and the market price of our common shares could decline.

Our hotel properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of mold to which hotel guests or employees could be exposed at any of our properties could require us to undertake a costly remediation program to contain or remove the mold from the affected property, which could be costly. In addition, exposure to mold by guests or employees, management company employees or others could expose us to liability if property damage or health concerns arise.

Risks Related to Our Organization and Structure

Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit your recourse in the event of actions not in your best interests.

Under Maryland law generally, a trustee is required to perform his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under Maryland law, trustees are presumed to have acted with this standard of care. In addition, our declaration of trust limits the liability of our trustees and officers to us and our shareholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the trustee or officer that was established by a final judgment as being material to the cause of action adjudicated

Our bylaws obligate us to indemnify our trustees and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each trustee or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to advance the defense costs incurred by our trustees and officers. As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist absent the current provisions in our declaration of trust and bylaws or that might exist with other companies.

Provisions of Maryland law may limit the ability of a third party to acquire control of our Company and may result in entrenchment of management and diminish the value of our common shares.

Certain provisions of the Maryland General Corporation Law (“MGCL”) applicable to Maryland real estate investment trusts may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “*Business combination*” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested shareholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares) or an affiliate of any interested shareholder for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes special appraisal rights and special shareholder voting requirements on these combinations; and

- *"Control share"* provisions that provide that our "control shares" (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

Additionally, Title 8, Subtitle 3 of the MGCL permits our Board of Trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not yet have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under the circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then current market price.

Provisions of our declaration of trust may limit the ability of a third party to acquire control of our Company and may result in entrenchment of management and diminish the value of our common shares.

Our declaration of trust authorizes our Board of Trustees to issue up to 500,000,000 common shares and up to 100,000,000 preferred shares. In addition, our Board of Trustees may, without shareholder approval, amend our declaration of trust to increase the aggregate number of our shares or the number of shares of any class or series that we have the authority to issue and to classify or reclassify any unissued common shares or preferred shares and to set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board of Trustees may authorize the issuance of additional shares or establish a series of common or preferred shares that may have the effect of delaying or preventing a change in control of our company, including transactions at a premium over the market price of our shares, even if shareholders believe that a change of control is in their interest.

Failure to make required distributions would subject us to tax.

In order for federal corporate income tax not to apply to earnings that we distribute, each year we must distribute to our shareholders at least 90% of our REIT taxable income, determined before the deductions for dividends paid and excluding any net capital gain. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders in a calendar year is less than a minimum amount specified under the Code. Our only source of funds to make these distributions comes from distributions that we will receive from our operating partnership. Accordingly, we may be required to borrow money, sell assets or make taxable distributions of our capital shares or debt securities, to enable us to pay out enough of our REIT taxable income to satisfy the distribution requirement and to avoid federal corporate income tax and the 4% nondeductible excise tax in a particular year.

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would subject us to federal income tax and potentially to state and local taxes.

We elected to be taxed as a REIT for federal income tax purposes. However, qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which only a limited number of judicial and administrative interpretations exist. Even an inadvertent or technical mistake could jeopardize our REIT qualification. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis.

Moreover, new tax legislation, administrative guidance or court decisions, in each instance potentially applicable with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any

applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to shareholders would not be deductible by us in computing our taxable income. We may also be subject to state and local taxes if we fail to qualify as a REIT. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of our shares of beneficial interest. If, for any reason, we failed to qualify as a REIT and we were not entitled to relief under certain Code provisions, we would be unable to elect REIT status for the four taxable years following the year during which we ceased to so qualify, which would negatively impact the value of our common shares.

Our TRS Lessee structure subjects us to the risk of increased hotel operating expenses that could adversely affect our operating results and our ability to make distributions to shareholders.

Our leases with our TRS Lessees require our TRS Lessees to pay us rent based in part on revenues from our hotels. Our operating risks include decreases in hotel revenues and increases in hotel operating expenses, which would adversely affect our TRS Lessees' ability to pay us rent due under the leases, including but not limited to the increases in wage and benefit costs, repair and maintenance expenses, energy costs, property taxes, insurance costs and other operating expenses.

Increases in these operating expenses can have a significant adverse impact on our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Our TRS structure increases our overall tax liability.

Our TRS Lessees are subject to federal, state and local income tax on their taxable income, which consists of the revenues from the hotel properties leased by our TRS Lessees, net of the operating expenses for such hotel properties and rent payments to us. Accordingly, although our ownership of our TRS Lessees allows us to participate in the operating income from our hotel properties in addition to receiving rent, that operating income is fully subject to income tax. The after-tax net income of our TRS Lessees is available for distribution to us.

Additionally, we own our interest in 4 of the JV hotels through one of our TRS holding companies. With respect to those hotels the TRS holding company will pay federal, state and local income tax on its allocable share of all of the income from those hotels.

Our ownership of TRSs is limited and our transactions with our TRSs will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross operating income from hotels that are operated by eligible independent contractors pursuant to hotel management agreements. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT's gross assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Our TRSs are subject to federal, foreign, state and local income tax on their taxable income, and their after-tax net income is available for distribution to us but is not required to be distributed to us. We believe that the aggregate value of the stock and securities of our TRSs is and will continue to be less than 25% of the value of our total gross assets (including our TRS stock and securities). Furthermore, we will monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with TRS ownership limitations. In

addition, we will scrutinize all of our transactions with our TRSs to ensure that they are entered into on arm's-length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% limitation discussed above or to avoid application of the 100% excise tax discussed above.

If our leases with our TRS Lessees are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT.

To qualify as a REIT, we are required to satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to the hotel leases with our TRS Lessees, which should constitute substantially all of our gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We have structured our leases, and intend to structure any future leases, so that the leases will be respected as true leases for federal income tax purposes, but there can be no assurance that the IRS will agree with this characterization, not challenge this treatment or that a court would not sustain such a challenge. If the leases were not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs and likely would fail to qualify for REIT status.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to "qualified dividend income" payable to U.S. shareholders taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common shares.

If our hotel managers do not qualify as "eligible independent contractors," we would fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease substantially all of our hotels to our TRS Lessees. A TRS Lessee will not be treated as a "related party tenant," and will not be treated as directly operating a lodging facility to the extent the TRS Lessee leases properties from us that are managed by an "eligible independent contractor." In addition, our TRS holding companies will fail to qualify as "taxable REIT subsidiaries" if they lease or own a lodging facility that is not managed by an "eligible independent contractor."

If our hotel managers do not qualify as "eligible independent contractors," we would fail to qualify as a REIT. Each of the hotel management companies that enters into a management contract with our TRS Lessees must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by our TRS Lessees to be qualifying income for our REIT income test requirements and for our TRS holding companies to qualify as "taxable REIT subsidiaries". Among other requirements, in order to qualify as an eligible independent contractor a manager must not own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such managers that are publicly traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we intend to monitor ownership of our shares by our property managers and their owners, there can be no assurance that these ownership levels will not be exceeded.

Our ownership limitations may restrict or prevent you from engaging in certain transfers of our common shares.

In order to satisfy the requirements for REIT qualification, no more than 50% in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year beginning with our 2011 taxable year. To assist us to satisfy the requirements for our REIT qualification, our declaration of trust contains an ownership limit on each class and series of our shares. Under applicable constructive ownership rules, any common shares owned by certain affiliated owners generally will be added together for purposes of the common share ownership limit, and any shares of a given class or series of preferred shares owned by certain affiliated owners generally will be added together for purposes of the ownership limit on such class or series.

If anyone transfers shares in a way that would violate the ownership limit, or prevent us from qualifying as a REIT under the federal income tax laws, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the ownership limit. If this transfer to a trust fails to prevent such a violation or our continued qualification as a REIT, then the initial intended transfer shall be null and void from the outset. The intended transferee of those shares will be deemed never to have owned the shares. Anyone who acquires shares in violation of the ownership limit or the other restrictions on transfer in our declaration of trust bears the risk of suffering a financial loss when the shares are redeemed or sold if the market price of our shares falls between the date of purchase and the date of redemption or sale.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute “gross income” for purposes of the 75% or 95% gross income tests applicable to REITs. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we intend to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRSs.

The ability of our Board of Trustees to revoke our REIT qualification without shareholder approval may cause adverse consequences to our shareholders.

Our declaration of trust provides that our Board of Trustees may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our shareholders, which may have adverse consequences on our total return to our shareholders.

The ability of our Board of Trustees to change our major policies may not be in our shareholders’ interest.

Our Board of Trustees determines our major policies, including policies and guidelines relating to our acquisitions, leverage, financing, growth, operations and distributions to shareholders and our continued qualification as a REIT. Our board may amend or revise these and other policies and guidelines from time to time without the vote or consent of our shareholders. Accordingly, our shareholders will have limited control over changes in our policies and those changes could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

If we fail to implement and maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our investors could lose confidence in our reported financial information, which could harm our business and the market value of our common shares.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and have our independent auditors annually issue their opinion on our internal control over financial reporting. As we rapidly grow our business and acquire new hotel properties with existing internal controls that may not be consistent with our own, our internal controls will become more complex, and we will require significantly more resources to ensure our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of our common shares. In particular, we will need to establish, or cause our third party hotel managers to establish, controls and procedures to ensure that hotel revenues and expenses are properly recorded at our hotels. The existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. Any such failure could cause investors to lose confidence in our reported financial information and adversely affect the market value of our common shares or limit our access to the capital markets and other sources of liquidity.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our shares of beneficial interest. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our gross assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities that constitute qualified real estate assets and securities of our TRSs) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our gross assets (other than government securities, securities that constitute qualified real estate assets and securities of our TRSs) can consist of the securities of any one issuer, and no more than 25% of the value of our total gross assets can be represented by the securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

We have not established a minimum distribution payment level and we may be unable to generate sufficient cash flows from our operations to make distributions to our shareholders at any time in the future.

We are generally required to distribute to our shareholders at least 90% of our REIT taxable income each year for us to qualify as a REIT under the Code, which requirement we currently intend to satisfy. To the extent we satisfy the 90% distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. We have not established a minimum distribution payment level, and our ability to make distributions to our shareholders may be adversely affected by the risk factors described in this prospectus. Subject to satisfying the requirements for REIT

qualification, we intend over time to make regular quarterly distributions to our shareholders. Our Board of Trustees has the sole discretion to determine the timing, form and amount of any distributions to our shareholders. Our Board of Trustees makes determinations regarding distributions based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, satisfaction of the requirements for REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our Board of Trustees may deem relevant from time to time. Among the factors that could impair our ability to make distributions to our shareholders are:

- our inability to realize attractive returns on our investments;
- unanticipated expenses that reduce our cash flow or non-cash earnings;
- decreases in the value of the underlying assets; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

As a result, no assurance can be given that we will be able to continue to make distributions to our shareholders or that the level of any distributions we do make to our shareholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our common shares. Distributions could be dilutive to our financial results and may constitute a return of capital to our investors, which would have the effect of reducing each shareholder's basis in its common shares. We also could use borrowed funds or proceeds from the sale of assets to fund distributions.

In addition, distributions that we make to our shareholders are generally taxable to our shareholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our earnings and profits as determined for tax purposes. A return of capital is not taxable, but has the effect of reducing the basis of a shareholder's investment in our common shares.

The market price of our equity securities may vary substantially, which may limit your ability to liquidate your investment.

The trading prices of equity securities issued by REITs have historically been affected by changes in market interest rates. One of the factors that may influence the price of our shares in public trading markets is the annual yield from distributions on our common or preferred shares as compared to yields on other financial instruments. An increase in market interest rates, or a decrease in our distributions to shareholders, may lead prospective purchasers of our shares to demand a higher annual yield, which could reduce the market price of our equity securities.

Other factors that could affect the market price of our equity securities include the following:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in the hotel or real estate industries;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- fluctuations in stock market prices and volumes;
- issuances of common shares or other securities in the future;
- the addition or departure of key personnel and
- announcements by us or our competitors of acquisitions, investments or strategic alliances

Because we have a limited equity market capitalization and our common shares are traded in low volumes, the stock market price of our common shares is susceptible to fluctuation to a greater extent than companies with larger market capitalization. As a result, your ability to liquidate your investment may be limited and the sale of common shares in this offering could cause the stock market price of our common shares to decline.

The number of shares available for future sale could adversely affect the market price of our common shares.

We cannot predict the effect, if any, of future sales of common shares, or the availability of common shares for future sale, on the market price of our common shares. Sales of substantial amounts of common shares (including shares issued to our trustees and officers), or the perception that these sales could occur, may adversely affect prevailing market prices for our common shares.

We also may issue from time to time additional common shares or limited partnership interests in our operating partnership in connection with the acquisition of properties and we may grant demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of our common shares or the perception that these sales could occur may adversely affect the prevailing market price for our common shares or may impair our ability to raise capital through a sale of additional equity securities. Our Equity Incentive Plan provides for grants of equity based awards up to an aggregate of 565,359 common shares and we may seek to increase shares available under our Equity Incentive Plan in the future.

Future offerings of debt or equity securities ranking senior to our common shares or incurrence of debt (including under our credit facility) may adversely affect the market price of our common shares.

If we decide to issue debt or equity securities in the future ranking senior to our common shares or otherwise incur indebtedness (including under our credit facility), it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to our shareholders. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of our common shares and may result in dilution to owners of our common shares. Because our decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could reduce the market price of our common shares and dilute the value of our common shares.

Item 1B. ***Unresolved Staff Comments***

None

Item 2. *Properties*

The following table sets forth certain operating information for our wholly-owned hotels as of December 31, 2012:

Property	Location	Management Company	Date of Acquisition	Year Opened	Number of Rooms (Unaudited)	Purchase Price	Purchase Price per Room (Unaudited)	Mortgage Debt Balance
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	Billerica, Massachusetts	Island Hospitality	April 23, 2010	1999	147	$ 12.5 million	$ 85,714	—
Homewood Suites by Hilton Minneapolis-Mall of America	Bloomington, Minnesota	Island Hospitality	April 23, 2010	1998	144	$ 18.0 million	$ 125,000	—
Homewood Suites by Hilton Nashville- Brentwood	Brentwood, Tennessee	Island Hospitality	April 23, 2010	1998	121	$ 11.3 million	$ 93,388	—
Homewood Suites by Hilton Dallas-Market Center	Dallas, Texas	Island Hospitality	April 23, 2010	1998	137	$ 10.7 million	$ 78,102	—
Homewood Suites by Hilton Hartford- Farmington	Farmington, Connecticut	Island Hospitality	April 23, 2010	1999	121	$ 11.5 million	$ 95,041	—
Homewood Suites by Hilton Orlando-Maitland	Maitland, Florida	Island Hospitality	April 23, 2010	2000	143	$ 9.5 million	$ 66,433	—
Homewood Suites by Hilton Carlsbad (North San Diego County)	Carlsbad, California	Island Hospitality	November 3, 2010	2008	145	$ 32.0 million	$ 220,690	—
Hampton Inn & Suites Houston-Medical Center	Houston, Texas	Island Hospitality	July 2, 2010	1997	120	$ 16.5 million	$ 137,500	—
Courtyard Altoona	Altoona, Pennsylvania	Concord	August 24, 2010	2001	105	$ 11.3 million	$ 107,619	$ 6.6 million
Springhill Suites Washington	Washington, Pennsylvania	Concord	August 24, 2010	2000	86	$ 12.0 million	$ 139,535	$ 5.1 million
Residence Inn Long Island Holtsville	Holtsville, New York	Island Hospitality	August 3, 2010	2004	124	$ 21.3 million	$ 171,774	—
Residence Inn White Plains	White Plains, New York	Island Hospitality	September 23, 2010	1982	133	$ 21.2 million	$ 159,398	—
Residence Inn New Rochelle	New Rochelle, New York	Island Hospitality	October 5, 2010	2000	124	$ 21.0 million	$ 169,355	$ 15.4 million
Residence Inn Garden Grove	Garden Grove, CA	Island Hospitality	July 14, 2011	2003	200	$ 43.6 million	$ 218,000	$ 32.4 million
Residence Inn Mission Valley	San Diego, CA	Island Hospitality	July 14, 2011	2003	192	$ 52.5 million	$ 273,438	$ 39.6 million
Homewood Suites by Hilton San Antonio River Walk	San Antonio, TX	Island Hospitality	July 14, 2011	1996	146	$ 32.5 million	$ 222,603	$ 18.2 million
Doubletree Suites by Hilton Washington DC (1)	Washington, DC	Island Hospitality	July 14, 2011	1974	105	$ 29.4 million	$ 280,000	$ 19.7 million
Residence Inn Tysons Corner	Vienna, VA	Island Hospitality	July 14, 2011	2001	121	$ 37.0 million	$ 305,785	$ 22.7 million
Hampton Inn Portland Downtown	Portland, ME	Island Hospitality	December 27, 2012	2011	122	$ 28.0 million	$ 229,508	—
Total Average					**2,536**	**$431.8 million**	**$ 170,268**	**$159.7 million**

(1)The Doubletree franchise agreement was terminated on January 31, 2013 and is expected to be rebranded as a Residence Inn by Marriott in May 2013.

We lease our headquarters located at 50 Cocoanut Row, Suite 211, Palm Beach, FL 33480. The Altoona hotel is subject to a ground lease with an expiration of April 30, 2029 with an option of up to 12 additional terms of five years each. In connection with the New Rochelle hotel, there are an air rights lease and garage lease that each expire on December 1, 2104.

Item 3. ***Legal Proceedings***

We are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us or our properties, other than routine litigation arising in the ordinary course of business and which is expected to pose no material financial risk to the Company and/or is expected to be covered by insurance policies.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Our common shares began trading on the New York Stock Exchange, (the "NYSE"), on April 16, 2010 under the symbol "CLDT". The closing price of our common shares on the NYSE on December 31, 2012 was $15.38 per share. The following table sets forth, for the periods indicated, the high and low closing sales prices per share reported on the New York Stock Exchange as traded and the cash dividends declared per share:

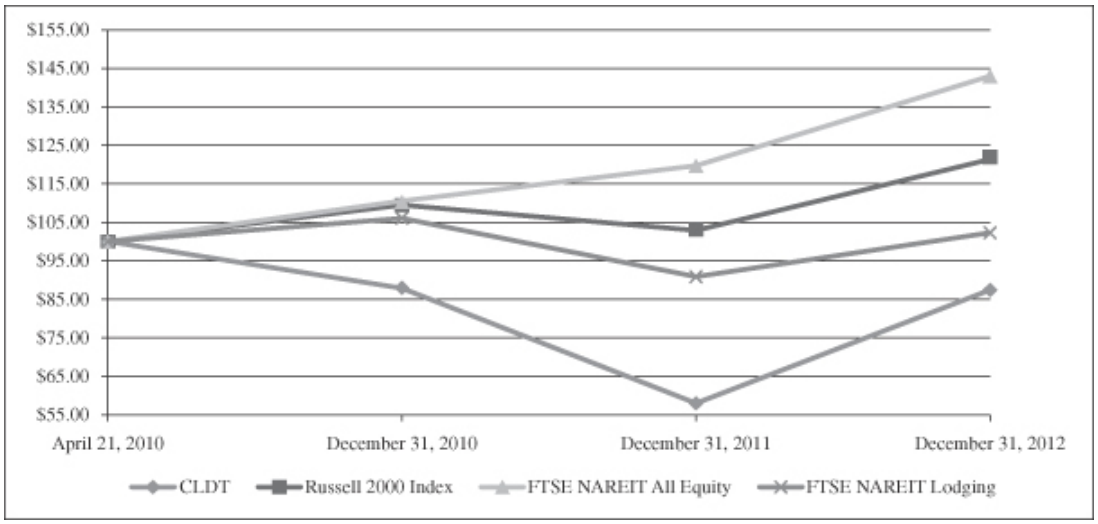
2012			
	High	**Low**	**Dividends**
First quarter	$13.58	$10.99	$ 0.175
Second quarter	14.40	11.59	0.200
Third quarter	14.81	13.45	0.200
Fourth quarter	15.38	12.89	0.200
2011			
	High	**Low**	**Dividends**
First quarter	$17.50	$16.00	$ 0.175
Second quarter	17.09	15.47	0.175
Third quarter	16.44	9.34	0.175
Fourth quarter	11.62	9.20	0.175

The Company's Board of Trustees has authorized a monthly dividend payment of $0.07 per share. The first monthly dividend for January will be paid on February 22, 2013, to shareholders of record on January 31, 2013.

Shareholder Information

On March 7, 2013, there were 15 registered holders of record of our common shares. This figure does not include beneficial owners who hold shares in nominee name. However, because many of our common shares are held by brokers and other institutions, we believe that there are more beneficial holders of our common shares than record holders. In order to comply with certain requirements related to our qualification as a REIT, our charter, subject to certain exceptions, limits the number of common shares that may be owned by any single person or affiliated group to 9.8% of the outstanding common shares.

	Initial investment at April 21, 2010	Value of initial investment at December 31, 2010	Value of initial investment at December 31, 2011	Value of initial investment at December 31, 2012
Chatham Lodging Trust	$ 100.00	$ 87.94	$ 58.07	$ 87.52
Russell 2000 Index	$ 100.00	$ 109.57	$ 102.91	$ 121.38
FTSE NAREIT All Equity REIT Index	$ 100.00	$ 110.50	$ 119.69	$ 142.97
FTSE NAREIT Lodging/Resorts Index	$ 100.00	$ 106.10	$ 90.95	$ 102.34



The above graph provides a comparison of the cumulative total return on our common shares from April 21, 2010, the date on which our shares began trading, to the NYSE closing price per share on December 31, 2012 with the cumulative total return on the Russell 2000 Index (the “Russell 2000”), the FTSE NAREIT All Equity REIT Index (the “NAREIT All Equity”) and the NAREIT Lodging/Resorts Index (the “NAREIT Lodging”). The total return values were calculated assuming a $100 investment on April 21, 2010 with reinvestment of all dividends in (i) our common shares, (ii) the Russell 2000, (iii) the NAREIT All Equity and (iv) the NAREIT Lodging. The total return values include any dividends paid during the period.

Distribution Information

In order to maintain our qualification as a REIT, we must make distributions to our stockholders each year in an amount equal to at least:

- 90% of our REIT taxable income determined without regard to the dividends paid deduction and excluding net capital gains, plus;
- 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Code, minus
- Any excess non-cash income (as defined in the Code).

The following table sets forth information regarding the declaration, payment and income tax characterization of our distributions by the Company on our common shares for the years ended December 31, 2011 and 2012 and respectively:

2012

Quarter to which distribution relates	Record Date	Payment Date	Common share distribution amount	Ordinary income	Return of capital
First quarter	3/30/2011	4/27/2012	$ 0.175	$0.092	$0.083
Second quarter	6/29/2012	7/27/2012	0.200	$0.106	0.094
Third quarter	9/28/2012	10/26/2012	0.200	$0.106	0.094
Fourth quarter	12/31/2012	1/25/2013	0.200	$0.106	0.094
			$ 0.775	$0.410	$0.365

2011

Quarter to which distribution relates	Record Date	Payment Date	Common share distribution amount	Ordinary income	Return of capital
First quarter	3/31/2011	4/15/2011	$ 0.175	$ 0.01	$ 0.165
Second quarter	6/30/2011	7/15/2011	0.175	$ 0.01	0.165
Third quarter	9/30/2011	10/14/2011	0.175	$ 0.01	0.165
Fourth quarter	12/30/2011	1/27/2012	0.175	$ 0.01	0.165
			$ 0.700	$ 0.04	$ 0.660

The Company's Board of Trustees has authorized a monthly dividend payment of $0.07 per share. The first monthly dividend for January will be paid on February 22, 2013, to shareholders of record on January 31, 2013.

Equity Compensation Plan Information

The following table provides information, as of December 31, 2012, relating to our Equity Incentive Plan pursuant to which grants of common share options, share awards, share appreciation rights, performance units and other equity-based awards options may be granted from time to time.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders[1]	—	—	69,571
Equity compensation plans not approved by security holders	—	—	—
Total			69,571

(1) Our Equity Incentive Plan was approved by our company's sole trustee and our company's sole shareholder prior to completion of our IPO.

Securities Sold

Concurrent with the closing of our IPO on April 21, 2010, we issued and sold an aggregate of 500,000 common shares to Jeffrey H. Fisher, our Chairman, President and Chief Executive Officer, in a private placement exempt from registration pursuant to Regulation D under the Securities Act. The aggregate price for these shares was $10,000,000, and there were no underwriting discounts or commissions. Mr. Fisher represented to us that he is an “accredited investor” (as that term is defined in Rule 501(a) of Regulation D under the Securities Act).

Issuer Purchases of Equity Securities

We do not currently have a repurchase plan or program in place. However, we do provide employees, who have been issued restricted common shares, the option of selling shares to us to satisfy the minimum statutory tax withholding requirements on the date their shares vest. There were 0 and 915 common shares purchased in the years ended December 31, 2012 and 2011, respectively, related to such repurchases. Pursuant to the terms of the amended secured senior credit facility, we will no longer be able to repurchase shares in the future.

Item 6. ***Selected Financial Data***

The following tables present selected historical financial information as of and for the years ended December 31, 2012, 2011 and 2010. The selected historical financial information as of and for the years ended December 31, 2012, 2011 and 2010 has been derived from our audited consolidated financial statements. The selected historical financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and notes thereto, both included in this Annual Report on Form 10-K.

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
	(In thousands, except share and per-share data)		
Statements of Operations Data:			
Total revenue	$ 100,464	$ 73,096	$ 25,470
Hotel operating expenses	55,030	42,167	15,025
General and administrative	7,565	5,802	3,547
Hotel property acquisition costs	236	7,706	3,189
Property taxes and insurance	7,088	5,321	1,606
Depreciation and amortization	14,273	11,971	2,564
Reimbursed costs from unconsolidated real estate entities	1,622	—	—
Total operating expenses	85,814	72,967	25,931
Operating income (loss)	14,650	129	(461)
Interest expense, including amortization of deferred financing fees	(14,641)	(8,190)	(932)
Loss in unconsolidated entity	(1,439)	(997)	—
Interest and other income	55	22	193
Loss before income tax expense	(1,375)	(9,036)	(1,200)
Income tax expense	(75)	(69)	(17)
Net loss	$ (1,450)	$ (9,105)	$ (1,217)
Net loss attributable to common share, basic and diluted	$ (0.12)	$ (0.69)	$ (0.20)
Weighted average number of common shares, basic and diluted	13,811,691	13,280,149	6,377,333
Other Data:			
Cash provided by operating activities	15,280	8,946	5,274
Cash used in investing activities	(13,431)	(112,523)	(201,511)
Cash (used in) provided by financing activities	(2,033)	103,489	200,981
Cash dividends declared per common share	0.775	0.70	0.35

	As of December 31, 2012 (In thousands)	As of December 31, 2011 (In thousands)	As of December 31, 2010 (In thousands)
Balance Sheet Data:			
Investment in hotel properties, net	$ 426,074	$ 402,815	$ 208,080
Cash and cash equivalents	4,496	4,680	4,768
Restricted cash	2,949	5,299	3,018
Investment in unconsolidated real estate entities	13,362	36,003	—
Hotel receivables (net of allowance for doubtful accounts)	2,098	2,057	891
Deferred costs, net	6,312	6,350	4,710
Prepaid expenses and other assets	1,930	1,502	735
Total assets	$ 457,221	$ 458,706	$ 222,202
Debt	$ 239,246	$ 228,940	$ 50,133
Accounts payable and accrued expenses	8,488	10,184	5,248
Distributions payable	2,875	2,464	1,657
Total liabilities	250,609	241,588	57,038
Total shareholders' equity	205,001	216,090	164,739
Noncontrolling interest in operating partnership	1,611	1,028	425
Total liabilities and equity	$ 457,221	$ 458,706	$ 222,202

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

Chatham Lodging Trust ("we," "us" or the "Company") was formed as a Maryland real estate investment trust ("REIT") on October 26, 2009. The Company is internally-managed and was organized to invest primarily in premium-branded upscale extended-stay and select-service hotels.

The Company completed its initial public offering (the "IPO") on April 21, 2010. The IPO resulted in the sale of 8,625,000 common shares at $20.00 per share, generating $172.5 million in gross proceeds. Net proceeds, after underwriters' discounts and commissions and other offering costs, were approximately $158.7 million. Concurrently with the closing of the IPO, in a separate private placement pursuant to Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), the Company sold 500,000 of its common shares to Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer ("Mr. Fisher"), at the public offering price of $20.00 per share, for proceeds of $10.0 million. On February 8, 2011, the Company completed a follow-on common share offering of 4,000,000 shares, generating gross proceeds of $73.6 million and net proceeds of approximately $69.4 million. On January 14, 2013, the Company completed a follow-on common share offering of 3,500,000 shares, generating gross proceeds of approximately $51.5 million and net proceeds of approximately $49.1 million. On January 31, 2013, the Company issued an additional 92,677 common shares pursuant to the exercise of the underwriters' over-allotment option in the offering that closed on January 14, 2013, generating gross proceeds of approximately $1.4 million and net proceeds of approximately $1.3 million.

As of December 31, 2012, the Company owned 19 hotels with an aggregate of 2,536 rooms and held a 10.3% minority interest in a joint venture (the "JV") with Cerberus Capital Management ("Cerberus") which owns 55 hotels with an aggregate of 7,282 rooms. To qualify as a REIT, the Company cannot operate its 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 one of the Company's taxable REIT

subsidiary (“TRS”) holding companies. 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 room revenue. The initial term of each of the TRS leases is five years. Lease revenue from each TRS Lessee is eliminated in consolidation. The TRS Lessees have entered into management agreements with third party management companies that provide day-to-day management for the hotels. The Company indirectly owns its interest in 51 of the 55 JV hotels through the Operating Partnership, and the Company’s interest in the remaining 4 JV hotels is held through one of the TRS holding companies. All of the JV hotels are leased to TRS Lessees in which the Company indirectly owns a 10.3% interest through one of the TRS holding companies. Island Hospitality Management Inc. (“IHM”), which is 90% owned by Mr. Fisher, managed 17 of the Company’s wholly owned hotels at December 31, 2012 and Concord Hospitality Enterprises Company manages two of the Company’s wholly owned hotels. All but one of the JV hotels were managed by IHM at December 31, 2012. One JV hotel was managed by Dimension Development Company. On January 1, 2013, IHM took over management of this hotel from Dimension Development Company. One February 5, 2013, the Company acquired the 197 room Courtyard by Marriott Houston® Medical Center hotel in Houston, TX for $34.8 million. The Company funded the acquisition with borrowings under its secured revolving credit facility. The Houston hotel is managed by IHM.

Financial Condition and Operating Performance Metrics

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

- Revenue per Available Room (“RevPAR”),
- Average Daily Rate (“ADR”),
- Occupancy percentage,
- Funds From Operations (“FFO”),
- Adjusted FFO,
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”), and
- Adjusted EBITDA.

We evaluate the hotels in our portfolio and potential acquisitions using these metrics to determine each hotel’s contribution towards 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. RevPAR, which is calculated as total room revenue divided by total number of available rooms, is an important metric for monitoring hotel operating performance.

“Non-GAAP Financial Measures” below provides a detailed discussion of our use of FFO, Adjusted FFO, EBITDA and Adjusted EBITDA and a reconciliation of FFO, Adjusted FFO, EBITDA and Adjusted EBITDA to net income or loss, measurements recognized by generally accepted accounting principles in the United States (“GAAP”).

Results of Operations

Industry outlook

We believe that the hotel industry’s performance is correlated to the performance of the economy overall, and with key economic indicators such as GDP growth, employment trends and corporate profits. We expect a continuing improvement in the performance of the hotel industry. As reported by Smith Travel Research, monthly industry RevPAR has been higher year over year since March 2010. As reported by Smith Travel

Research, industry RevPAR was up 5.5% in 2010, 8.2% in 2011 and 6.8% in 2012. Industry analysts such as Smith Travel Research and PKF Hospitality are projecting industry RevPAR to grow 5-6% in 2013 based on sustained economic growth, lack of new supply and increased business travel spending. Of the projected growth, most expect ADR growth to comprise most of the expected RevPAR growth. We are currently projecting RevPAR at our hotels to grow 4.5% in 2013 with ADR comprising most of our RevPAR growth. Industry analysts and other public lodging companies have begun to refine their RevPar projections for 2013. Most expect RevPar to continue to grow in 2013, albeit at levels less than what the industry experienced in 2011 and 2012.

Comparison Year ended December 31, 2012 to the Year ended December 31, 2011

Results of operations for the years ended December 31, 2012 and 2011 include the operating activities of the 19 hotels owned at December 31, 2012, which includes the Portland hotel acquired on December 27, 2012 and the five hotels acquired in the third quarter of 2011 (the “5 Sisters”), compared to the results of operations for the 18 hotels that we owned for all or part of the year ended December 31, 2012.

As reported by Smith Travel Research, industry RevPar for the years ended December 31, 2012 and 2011 was up 6.8% and up 8.2%, respectively. RevPar at our hotels was up 8.0% and 2.8% in 2012 and 2011, respectively, which includes periods prior to our ownership. Approximately one-half of our RevPar growth in 2012 was attributable to occupancy growth as some of our hotels are operating at high occupancy levels, their future RevPar growth generally will be dependent on rate growth. Our RevPar growth in 2011 was less than the industry due to significant renovations in 2011.

Revenue

Total revenue was $100.5 million for the year ended December 31, 2012 compared to total revenue of $73.1 million for the year ended December 31, 2011. Since all of our hotels are premium branded upscale extended-stay hotels and select service, 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 was $94.6 and $70.4 million for the years ended December 31, 2012 and 2011, respectively. The increased revenue is primarily due to $18.4 million of revenue from the 5 sisters for January to June 2012 since we did not own those hotels until July 2011. The remainder is due to increased RevPar at the other comparable hotels.

Since room revenue is the primary component of total revenue, our revenue results are dependent on maintaining and improving occupancy, ADR and RevPAR at our hotels. ADR at our hotels was up 3.6% as well as increased occupancy of 4.3% for the year ended 2012. Occupancy, ADR, and RevPAR results are presented in the following table in each period to reflect operations of the hotels regardless of ownership (a list of the hotel acquisition dates can be found in the table in Item1):

	For the year ended December 31, 2012	For the year ended December 31, 2011
Occupancy	81.8%	78.5%
ADR	$ 130.73	$ 126.26
RevPar	$ 106.95	$ 99.08

Other operating revenue, comprised of meeting room, gift shop, in-room movie and other ancillary amenities revenue, was $4.3 million and $2.7 million, respectively, for the years ended December 31, 2012 and 2011. As a percentage of total revenue, other operating revenue was 4.3% and 3.7%, respectively, for the years ended December 31, 2012 and 2011 and the increase is due to the fact that other operating revenue at our 5 sisters is a higher percentage of revenue than at the remainder of our portfolio.

Cost reimbursements from unconsolidated real estate entities, comprised of payroll costs at the JV where the Company is the employer, was $1.6 million and $0.0 million for the years ended December 31, 2012 and 2011, respectively.

Hotel Operating Expenses

Hotel operating expenses increased $12.8 million to $55.0 million for the year ended December 31, 2012 compared to $42.2 million for the year ended December 31, 2011. As a percentage of total revenue, hotel operating expenses were 55% for 2012 and 58% for 2011, which decrease is expected as ADR grows year over year and fixed operating costs decrease as a percentage of revenue year over year when revenue increases. Growth in revenues due to increases in ADR generally have less impact on hotel operating expenses than growth in revenues due to increases in occupancy. Room expenses, which are the most significant component of hotel operating expenses, increased $5.0 million from $16.0 million in 2011 to $21.0 million in 2012 or 21.9% and 20.9% of total revenue for the years ended December 31, 2011 and 2012, respectively. Other direct expenses, which include management and franchise fees, insurance, utilities, repairs and maintenance, advertising and sales, and hotel general and administrative expenses increased $8.0 million, from $26.1 million in 2011 to $34.1 million in 2012. The increase in operating expenses is due primarily to the fact that we only owned the 5 sisters for approximately six months in 2011.

Depreciation and Amortization

Depreciation and amortization expense increased $2.3 million, from $12.0 million for the year ended December 31, 2011 to $14.3 million for the year ended December 31, 2012. The increase is due to the fact that we owned 18 hotels for all of 2012 but owned the 5 Sister hotels for only a portion of 2011, as well as the disposition and replacement of furniture and fixtures at four hotels where major property improvement plans were completed during the year ended December 31, 2012. Depreciation is recorded on our hotel buildings over 40 years from the date of acquisition. Depreciable lives of hotel furniture, fixtures and equipment are generally three to ten years between the date of acquisition and the date that the furniture, fixtures and equipment will be replaced. Amortization of franchise fees is recorded over the term of the respective franchise agreements.

Real Estate and Personal Property Taxes

Total property tax and insurance expenses increased $1.8 million, from $5.3 million for the year ended December 31, 2011 to $7.1 million for the year ended December 31, 2012. $1.1 million of the increase is related to the expense for the 5 sisters for an additional six months of 2012. As a percentage of revenue, property tax and insurance expense decreased from 7.3% in 2011 to 7.1% in 2012.

Corporate General and Administrative

Corporate general and administrative expenses principally consist of employee-related costs, including base payroll and amortization of restricted stock and awards of long-term incentive plan (“LTIP”) units. These expenses also include corporate operating costs, professional fees and trustees’ fees. Total corporate general and administrative expenses (excluding amortization of stock based compensation of $2.0 million and $1.6 million for the years ended December 31, 2012 and 2011, respectively) increased $1.4 million to $5.6 million in 2012 from $4.2 million in 2011. The increases related to $0.6 million in compensation and benefits, $0.5 million in fees to third party providers and $0.3 million in other costs.

Hotel Property Acquisition Costs

Hotel property acquisition costs decreased $7.5 million to $0.2 million for the year ended December 31, 2012 from $7.7 million for the year ended December 31, 2011. Expenses during the 2011 period related to our acquisitions from Innkeepers USA Trust during the 2011 third quarter. Acquisition-related costs are expensed when incurred.

Reimbursed Costs from Unconsolidated Real Estate Entities

Reimbursed costs from unconsolidated real estate entities, comprised of payroll costs at the JV where the Company is the employer, were $1.6 million and $0.0 million for the years ended December 31, 2012 and 2011, respectively. The JV was acquired in the 4th quarter of 2011.

Interest and Other Income

Interest and other income increased $33 thousand, from $22 thousand for the year ended December 31, 2011 to $55 thousand for the year ended December 31, 2012. This increase was due to miscellaneous income associated with our San Antonio and Washington, D.C. hotels.

Interest Expense

Interest expense increased $6.4 million, from $8.2 million for the year ended December 31, 2011 to $14.6 million for the year ended December 31, 2012. A breakdown of interest expense is as follows:

	2012	2011
Revolving credit facility interest	$ 2,932	$1,417
Mortgage loan interest	9,654	4,899
Other fees	213	296
Amortization of deferred financing fees	1,842	1,578
Total	**$14,641**	**$8,190**

Interest cost related to our secured revolving credit facility increased in 2012 due to an increase in weighted average borrowings of $27.1 million, from $29.7 million in 2011 to $56.8 million in 2012. Mortgage loan interest increases are due to the fact that six of the eight mortgage loans were acquired or assumed in the third quarter of 2011. Amortization of deferred financing fees increased $0.3 million in 2012 due to the six loans acquired or assumed in 2011.

Loss from Unconsolidated Real Estate Entities

Loss from unconsolidated real estate entities increased $0.4 million, from $1.0 million for the year ended December 31, 2011 to $1.4 million for the year ended December 31, 2012. We did not own an interest in the JV until October 27, 2011.

Income Tax Expense

Income tax expense increased $6 thousand, from $69 thousand for the year ended December 31, 2011 to $75 thousand for the year ended December 31, 2012. We are subject to income taxes based on the taxable income of our taxable REIT subsidiary holding companies at a combined federal and state tax rate of approximately 40%.

Net loss

Net loss was $1.5 million for the year ended December 31, 2012, compared to a net loss of $9.1 million for the year ended December 31, 2011. This decrease in loss was due to the factors discussed above.

Material Trends or Uncertainties

We are not aware of any material trends or uncertainties, favorable or unfavorable, that may be reasonably anticipated to have a material impact on either the capital resources or the revenues or income to be derived from the acquisition and operation of properties, loans and other permitted investments, other than those referred to in the risk factors identified in the “Risk Factors” section of this Annual Report on Form 10-K.

Comparison Year ended December 31, 2011 to the Year ended December 31, 2010

Results of operations for the years ended December 31, 2011 and 2010 include the operating activities of the 18 hotels owned at December 31, 2011, which includes the 5 Sister hotels acquired in the third quarter of 2011 compared to the results of operations for the 13 hotels that we owned for all or part of the year ended December 31, 2010. The Company completed its IPO on April 21, 2010 and acquired the 13 hotels at varying times during the second, third and fourth quarters of 2010.

As reported by Smith Travel Research, industry RevPar for the years ended December 31, 2011 and 2010 was up 8.2% and up 5.5% respectively. RevPar at our hotels was up 2.8% and 3.3% in 2011 and 2010, which includes periods prior to our ownership. Our RevPar growth was adversely impacted because 13 of our 18 hotels were undergoing renovations in 2011.

Revenue

Total revenue was $73.1 million for the year ended December 31, 2011 compared to total revenue of $25.4 million for the 2010 period due to the increase in the number of hotels owned in 2011 from 13 to 18. We owned 13 hotels for all of 2011 compared to owning zero hotels for all of 2010. Since all of our hotels are premium branded upscale extended-stay hotels and select service, 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 was $70.4 and $24.7 million for the years ended December 31, 2011 and 2010, respectively.

Since room revenue is the primary component of total revenue, our revenue results are dependent on maintaining and improving occupancy, ADR and RevPAR at our hotels. Occupancy, ADR, and RevPAR results are presented in the following table in each period to reflect operations of the hotels regardless of ownership:

	For the year ended December 31, 2011	For the year ended December 31, 2010
Portfolio		
ADR	$ 126.26	$ 124.19
Occupancy	78.5%	77.6%
RevPar	$ 99.08	$ 96.37

Other operating revenue, comprised of meeting room, gift shop, in-room movie and other ancillary amenities revenue, was $2.7 and $0.7 million, respectively, for the years ended December 31, 2011 and 2010.

Hotel Operating Expenses

Hotel operating expenses increased $27.2 million from $15.0 million for the year ended December 31, 2010 to $42.2 million for the year ended December 31, 2011 due to the increased number of hotels owned in the 2011 period and owning 13 hotels for all of 2011 compared to owning no hotels for all of 2010. As a percentage of total revenue, hotel operating expenses were 58% for 2011 and 59% for 2010, a downward trend we hope will continue as ADR growth comprises a larger component of RevPar increases in 2012. Room expenses, which are the most significant component of hotel operating expenses, increased $10.0 million from $6.0 million in 2010 to $16.0 million in 2011. Other direct expenses, which include management and franchise fees, insurance, utilities, repairs and maintenance, advertising and sales, and hotel general and administrative expenses increased $17.1 million from $9.0 million in 2010 to $26.1 million in 2011.

Depreciation and Amortization

Depreciation and amortization expense increased $9.4 million from $2.6 million for the year ended December 31, 2010 to $12.0 million for the year ended December 31, 2011. The increase is due to the increased number of hotels owned during the 2011 period and the disposition and replacement of furniture and fixtures at six hotels where major property improvement plans were completed during the year ended December 30, 2011. Depreciation is recorded on our hotel buildings over 40 years from the date of acquisition. Depreciable lives of hotel furniture, fixtures and equipment are generally three to ten years between the date of acquisition and the date that the furniture, fixtures and equipment will be replaced. Amortization of franchise fees is recorded over the term of the respective franchise agreement.

Real Estate and Personal Property Taxes

Total property tax and insurance expenses increased $3.7 million from $1.6 million for the year ended December 31, 2010 to $5.3 million for the year ended December 31, 2011. The increase is due primarily to increased number of hotels owned during the 2011 period and due to the fact the 2010 period comprised only 253 days. As a percentage of revenue, property tax and insurance expense increased from 6.3% in 2010 to 7.3% in 2011 as a result of the higher valued assets acquired during 2011 at a higher purchase price per room than the 13 hotels owned at December 31, 2010.

Corporate General and Administrative

Corporate general and administrative expenses principally consist of employee-related costs, including base payroll and amortization of restricted stock and awards of long-term incentive plan ("LTIP") units. These expenses also include corporate operating costs, professional fees and trustees' fees. Total corporate general and administrative expenses (excluding amortization of stock based compensation of $1.6 and $1.1 million for the year ended December 31, 2011 and for the year ended December 31, 2010, respectively) increased $1.8 million to $4.2 million in 2011 from $2.4 million in 2010. This increase was primarily due to the fact the 2010 period comprised only 253 days.

Hotel Property Acquisition Costs

Hotel property acquisition costs increased $4.6 million from $3.1 million for the year ended December 31, 2010 to $7.7 million for the year ended December 31, 2011. The 2011 expenses relate to the acquisition of hotels formerly owned by Innkeepers described in Note 3, Acquisition of Hotel Properties, in the notes to our consolidated financial statements. The 2010 expenses represent costs associated with the purchase of the 13 hotels owned at December 31, 2010. These acquisition-related costs are expensed when incurred in accordance with GAAP.

Interest and Other Income

Interest income on cash and cash equivalents decreased $171 thousand from $193 thousand for the year ended December 31, 2010 to $22 thousand for the year ended December 31, 2011. This decrease was due to the decrease in cash and cash equivalents in 2011. The Company had not fully invested the cash from its IPO in the 2010 period and the excess cash was held in an interest bearing account.

Interest Expense

Interest expense increased $7.3 million from $0.9 million for the year ended December 31, 2010 to $8.2 million for the year ended December 31, 2011. The increase is due primarily to the following: 1) assumption of $134.2 million of loans on the five hotels acquired in July 2011 bearing interest at a rate of approximately 6%; 2) increase in weighted average borrowings on our credit facility of $22.6 million from $7.1 million in 2010 to $29.7 million in 2011; and debt issued in August 2011 on our New Rochelle hotel of $15.8 million at a rate of 5.75%. The interest rate on the senior secured revolving credit facility was 4.5% in 2010 and increased to 5.25% November 14, 2011.

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, and (4) Adjusted EBITDA. These non-GAAP financial measures could be considered along with, but not as alternatives to, net income or loss as a measure of our operating performance prescribed by GAAP.

FFO, Adjusted FFO, EBITDA and Adjusted 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 and Adjusted EBITDA are not measures of our liquidity, nor are FFO, Adjusted FFO, EBITDA or Adjusted 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 and Adjusted 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 the National Association of Real Estate Investment Trusts (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, items classified by GAAP as extraordinary, 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 performance of our underlying hotel properties. We believe that these items are more representative of our asset base and our acquisition and disposition activities than our ongoing operations, and that by excluding the effects of the items, FFO is useful to investors in comparing our operating performance between periods and between REITs that report FFO using the NAREIT definition.

We further adjust FFO for certain additional items that are not in NAREIT's definition of FFO, including hotel property acquisition costs and other charges, (including similar items within the unconsolidated real estate entities). Other charges include costs related to Hurricane Sandy, severance costs for a former executive officer, (2010) and other costs we believe do not represent recurring 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 loss to FFO and Adjusted FFO for the years ended December 31, 2012, 2011 and 2010 (in thousands, except share data):

	For the years ended December 31,		
	2012	2011	2010
Funds From Operations ("FFO"):			
Net loss	$ (1,450)	$ (9,105)	$ (1,217)
Gain on the sale of assets within the unconsolidated real estate entity	(257)	—	—
Depreciation	14,198	11,909	2,537
Adjustments for unconsolidated real estate entity items	5,340	900	—
FFO	**17,831**	**3,704**	**1,320**
Hotel property acquisition costs and other charges	236	7,706	3,189
Other charges included in general and administrative expenses	—	—	345
Adjustments for unconsolidated real estate entity items	49	473	—
Adjusted FFO	**$ 18,116**	**$ 11,883**	**$ 4,854**
Weighted average number of common shares			
Basic	13,811,691	13,280,149	6,377,333
Diluted	13,937,726	13,324,584	6,430,151

We calculate EBITDA for purposes of the credit facility debt covenants as net income or loss excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sale of assets; (3) depreciation and amortization; and (4) unconsolidated real estate entity items including interest, depreciation and amortization excluding gains or losses from sales of real estate. We believe EBITDA is useful to investors in evaluating our operating performance because it helps investors compare 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, we use EBITDA as one measure in determining the value of hotel acquisitions and dispositions.

We further adjust EBITDA for certain additional items, including hotel property acquisition costs and other charges, (including similar items within the unconsolidated real estate entity). Other charges include costs related to Hurricane Sandy, severance costs related to the departure of one of our executive officers in 2010 and other costs we believe do not represent recurring operations and amortization of non-cash share-based compensation which we believe are not indicative of the performance of our underlying hotel properties entities. We believe that Adjusted EBITDA provides investors with another financial measure that may facilitate comparisons of operating performance between periods and between REITs that report similar measures

The following is reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	For the years ended December 31,		
	2012	2011	2010
Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"):			
Net loss	$ (1,450)	$ (9,105)	$(1,217)
Interest expense	14,641	8,190	932
Income tax expense	75	69	17
Gain on the sale of assets within the unconsolidated real estate entity	(257)	—	—
Depreciation and amortization	14,273	11,971	2,564
Adjustments for unconsolidated real estate entity items	11,319	1,773	—
EBITDA	**38,601**	**12,898**	**2,296**
Hotel property acquisition costs and other charges	236	7,706	3,189
Adjustments for unconsolidated real estate entity items	49	473	—
Other charges included in general and administrative expenses	—	—	345
Share based compensation	2,004	1,571	1,070
Adjusted EBITDA	**$40,890**	**$22,648**	**$ 6,900**

Although we present FFO, Adjusted FFO, EBITDA and Adjusted 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 and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- FFO, Adjusted FFO, EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- FFO, Adjusted FFO, EBITDA and Adjusted EBITDA do not reflect funds available to make cash distributions;
- EBITDA and Adjusted 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 and Adjusted 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 and Adjusted 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 and Adjusted EBITDA differently than we do, limiting their usefulness as a comparative measure.

In addition, FFO, Adjusted FFO, EBITDA and Adjusted 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 and Adjusted EBITDA are not measures of our liquidity. Because of these limitations, FFO, Adjusted FFO, EBITDA and Adjusted 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 and Adjusted 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 and proceeds from debt and equity issuances. Our principal uses of cash include acquisitions, capital expenditures, operating expenses, corporate expenditures, interest expenses and debt repayments and distributions to equity holders.

As of December 31, 2012 and 2011, we had cash and cash equivalents of approximately $4.5 million and $4.7 million, respectively. Additionally, we had $15.5 million available under our $95.0 million senior secured revolving credit facility as of December 31, 2012.

For the year ended December 31, 2012, net cash flows provided by operations were $14.9 million, as our net loss of $1.5 million was due in significant part to non-cash expenses, including $16.1 million of depreciation and amortization, $2.0 million of share-based compensation expense and a $1.5 million impact from loss from unconsolidated entities. In addition, changes in operating assets and liabilities due to the timing of cash receipts, payments for real estate taxes, payments of corporate compensation and payments from our hotels resulted in net cash outflow of $3.2 million. Net cash flows used in investing activities were $13.0 million. We spent $8.6 million on improvements at our hotels and acquired the Portland hotel for $28.0 million. These outflows were partially offset by distributions from unconsolidated real estate entities of $21.2 million consisting of $11.7 million of net proceeds from mortgage financing, $4.4 million attributable to cash generated from the operations of the JV and $5.1 million for the sale of assets and reimbursements from required escrows of $2.4 million. Future distributions from unconsolidated real estate entities are contingent upon projected hotel operations and the potential sale of assets. Net cash flows used in financing activities were $2.0 million, comprised of principal payments on mortgage debt of $1.7 million, payment of deferred financing and offering costs of $1.7 million and distributions to shareholders of $10.6 million, offset by net borrowings on our secured credit facility of $12.0 million.

For the year ended December 31, 2011, net cash flows provided by operations were $8.9 million, as our net loss of $9.1 million was due in significant part to non-cash expenses, including $13.5 million of depreciation and

amortization, $1.6 million of share-based compensation expense and a $1.0 million loss from unconsolidated entities. In addition, changes in operating assets and liabilities due to the timing of cash receipts and payments from our hotels resulted in net cash inflow of $1.9 million. Net cash flows used in investing activities were $112.5 million, primarily related to the acquisition of the 5 Sisters of $62.0 million, investment in unconsolidated entities of $37.0 million, additional capital improvements to the eighteen hotels of $12.7 million and $0.8 million of funds placed into escrows for lender or manager required escrows. Net cash flows provided by financing activities were $103.5 million, comprised primarily of proceeds generated from the February 2011 common share offering, net of underwriting fees and offering costs paid or payable to third parties, of $69.4 million, proceeds from a mortgage loan on our New Rochelle Residence Inn hotel of $15.8 million, net borrowings on our secured credit facility of $29.7 million, offset by principal payments on mortgage debt of $0.9 million, payment of financing costs associated with our amended secured revolving credit facility and the six new loans acquired or assumed of $1.5 million and distributions to shareholders of $9.0 million.

For the year ended December 31, 2010, net cash flows provided by operations were $5.3 million, as our net loss of $1.2 million was due in significant part to non-cash expenses, including $2.8 million of depreciation and amortization and $1.2 million of share-based compensation expense. In addition, changes in operating assets and liabilities due to the timing of cash receipts and payments from our hotels resulted in net cash inflow of $2.5 million. Net cash flows used in investing activities were $201.5 million, which represents the acquisition price for thirteen hotels of $197.5 million as well as additional capital improvements to those hotels of $3.6 million and $0.4 million of funds placed into escrows for lender and manager required escrows. Net cash flows provided by financing activities were $201.0 million, comprised primarily of proceeds generated from the initial public offering, net of underwriting fees and offering costs paid or payable to third parties, of $168.7 million and borrowings on our secured credit facility of $37.8 million, offset by costs paid to issue debt of $3.8 million and distributions to shareholders of $1.7 million.

We have paid regular quarterly dividends and distributions on common shares and LTIP units since the third quarter of 2010. Dividends and distributions for each of the quarters of 2011 and the first quarter of 2012 were $0.175 per common share and LTIP unit. Dividends and distributions for the second, third and fourth quarters of 2012 increased to $0.20 per common share and LTIP unit. On January 25, 2013, we paid an aggregate of $2.8 million in fourth quarter dividends on our common shares and distributions on our LTIP units.

Liquidity and Capital Resources

We intend to maintain our leverage over the long term at a ratio of net debt to investment in hotels (at cost) (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges) to less than 35 percent measured at the time we incur debt, and a subsequent decrease in hotel property values will not necessarily cause us to repay debt to comply with this limitation. However, our Board of Trustees believes that temporarily increasing our leverage limit at this stage of the lodging recovery cycle is appropriate. We will continue to pay down borrowings on our secured revolving credit facility with excess cash flow until we find other uses of cash such as investments in our existing hotels, hotel acquisitions or further joint venture investments.

At December 31, 2012 and December 31, 2011, we had $79.5 million and $67.5 million, respectively, in borrowings under our senior secured revolving credit facility. At December 31, 2012, there were ten properties in the borrowing base under the credit agreement and the maximum borrowing availability under the revolving credit facility was approximately $95.0 million. We also had mortgage debt on individual hotels aggregating $159.7 million and $161.4 million at December 31, 2012 and December 31, 2011, respectively.

On February 5, 2013, we borrowed an additional $34.5 million under our senior secured revolving credit facility. The funds were used for the acquisition of the Courtyard by Marriott Houston-Medical Center on February 5, 2013.

We amended our senior secured revolving credit facility in May 2011. The amendment provides for an increase in the allowable consolidated leverage ratio to 60 percent through 2012, reducing to 55 percent in 2013;

and a decrease in the consolidated fixed charge coverage ratio from 2.3x to 1.7x through March 2012, increasing to 1.75x through December 2012 and 2.0x in 2013. Subject to certain conditions, the credit facility has an accordion feature that provides the Company with the ability to increase the facility to $110 million. We further amended the credit facility in November 2012. Costs associated with this amendment were approximately $1.2 million. The amendment extends the maturity date to November 5, 2015 and includes an option to extend the maturity date by an additional year. Other key terms amended were as follows:

	Original Terms	Amended Terms
Facility amount	$85 million	$95 million
Accordion feature	Additional $25 million	Additional $20 million
LIBOR floor	1.25%	None
Interest rate applicable margin	325-425 basis points, based on leverage ratio	200-300 basis points, based on leverage ratio
Unused fee	50 basis points	25 basis points if less than 50% unused, 35 basis points if more than 50% unused
Minimum fixed charge coverage ratio	1.75-2.0x	1.5x

The credit facility contains representations, warranties, covenants, terms and conditions customary for transactions 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 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. The five mortgage loans we assumed in connection with the acquisition of the 5 Sisters, as well as the loan secured by the New Rochelle Residence Inn, do not contain any financial covenants. We were in compliance with these financial covenants at December 31, 2012. We expect to meet all financial covenants in 2013 based upon our current projections.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our credit facility. We believe that our net cash provided by operations 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.

During January 2013, we issued 3,592,677 common shares, raising net proceeds of approximately $50.4 million. The proceeds of this offering were used to repay debt borrowed under our senior secured credit facility, including debt incurred to acquire the Portland hotel.

We intend to continue to invest in hotel properties only as suitable opportunities arise. We intend to finance our future investments with the net proceeds from additional issuances of common and preferred shares, issuances of units of limited partnership interest in our operating partnership or other securities or borrowings. The success of our acquisition strategy depends, in part, on our ability to access additional capital through issuances of equity securities and borrowings. 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 that do not meet our long-term investment objectives as a means to provide liquidity.

Capital Expenditures

We intend to maintain each hotel property in good repair and condition and in conformity with applicable laws and regulations and in accordance with the franchisor’s standards and any agreed-upon requirements in our management and loan agreements. After we acquire a hotel property, we may be required to complete a property

improvement plan ("PIP") in order to be granted a new franchise license for that particular hotel property. PIPs are intended to bring the hotel property up to the franchisor's standards. Certain of our loans require that we escrow for property improvement purposes, at the hotels collateralizing these loans, amounts up to 5% of gross revenue from such hotels. We intend to spend amounts necessary to comply with any reasonable loan or franchisor requirements and otherwise to the extent that such expenditures are in the best interest of the hotel. To the extent that we spend more on capital expenditures than is available from our operations, we intend to fund those capital expenditures with available cash and borrowings under the revolving credit facility.

For the years ended December 31, 2012 and 2011, we invested approximately $10.5 million and $13.2 million, respectively, on capital investments in our hotels. We expect to invest an additional $4.5 million on capital improvements in 2013 on our existing hotels and approximately $4.4 million on the conversion of our Washington, D.C. hotel to a Residence Inn by Marriott.

Related Party Transactions

We have entered into transactions and arrangements with related parties that could result in potential conflicts of interest. See "Risk Factors" and Note 14, "Related Party Transactions", to our consolidated financial statements included in this Annual Report on Form 10-K.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2012, and the effect these obligations are expected to have on our liquidity and cash flow in future periods (in thousands). We had no other material off-balance sheet arrangements at December 31, 2012 other than non-recourse debt associated with the JV as discussed below.

	Payments Due by Period				
Contractual Obligations	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Corporate office lease	$ 103	$ 39	$ 64	$ —	$ —
Revolving credit facility, including interest (1)	86,545	2,415	84,130	—	—
Ground leases	12,493	205	417	426	11,445
Property loans, including interest (1)	200,302	11,585	27,599	144,573	16,545
	$299,443	$14,244	$ 112,210	$ 144,999	$ 27,990

(1) Does not reflect additional borrowings under the revolving credit facility after December 31, 2012 and interest payments are based on the interest rate in effect as of December 31, 2012. See Note 7, "Debt" to our consolidated financial statements for additional information relating to our property loans.

On December 27, 2012, we entered into a contract to purchase the Courtyard by Marriott Houston Medical Center located in Houston, Texas for a total purchase price of approximately $34.7 million, which is excluded from the table above. The hotel was acquired on February 5, 2013.

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.

Critical Accounting Policies

We consider the following policies critical because they require estimates about matters that are inherently uncertain, involve various assumptions and require management judgment. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

Investment in Hotel Properties

We allocate the purchase prices of hotel properties acquired based on the fair value of the acquired real estate, furniture, fixtures and equipment, identifiable intangible assets and assumed liabilities. In making estimates of fair value for purposes of allocating the purchase price, we utilize a number of sources of information that are obtained in connection with the acquisition of a hotel property, including valuations performed by independent third parties and information obtained about each hotel property resulting from pre-acquisition due diligence. Hotel property acquisition costs, such as transfer taxes, title insurance, environmental and property condition reviews, and legal and accounting fees, are expensed in the period incurred.

Our investment in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 15 years for building improvements and two to seven years for furniture, fixtures and equipment. Renovations and/or replacements at the hotel properties that improve or extend the life of the assets are capitalized and depreciated over their useful lives, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the Company’s accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

We will periodically review our hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, management will perform an analysis to determine if the estimated undiscounted future cash flows, without interest charges, from operations and the proceeds from the ultimate disposition of a hotel property exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount, an adjustment to reduce the carrying amount to the related hotel property’s estimated fair market value is recorded and an impairment loss recognized. As of December 31, 2012 and 2011, we had no hotels that were impaired.

We will consider a hotel property as held for sale when a binding agreement to purchase the property has been signed under which the buyer has committed a significant amount of nonrefundable cash, no significant financing contingencies exist which could cause the transaction not to be completed in a timely manner and the sale is expected to occur within one year. If these criteria are met, depreciation and amortization of the hotel property will cease and an impairment loss, if any will be recognized if the fair value of the hotel property, less the costs to sell, is lower than the carrying amount of the hotel property. We will classify the loss, together with the related operating results, as discontinued operations in the consolidated statements of operations and classify the assets and related liabilities as held for sale in the consolidated balance sheets if we no longer have significant continuing involvement. As of December 31, 2012, we had no hotel properties held for sale.

Investment in Unconsolidated Real Estate Entities

If it is determined that the Company do not have a controlling interest in a joint venture, either through its financial interest in a VIE or in a voting interest entity, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company’s share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of its investment in, advances to and commitments for the investee.

Investment in unconsolidated real estate entities are accounted for under the equity method of accounting and the Company records its equity in earnings or losses under the hypothetical liquidation of book value ("HLBV") method of accounting due to the structures and the preferences we receive on the distributions from the joint ventures pursuant to the joint venture agreements. Under this method, the Company recognizes income and loss in each period based on the change in liquidation proceeds we would receive from a hypothetical liquidation of our investment based on depreciated book value. Therefore, income or loss may be allocated disproportionately as compared to the ownership percentages due to specified preferred return rate thresholds and may be more or less than actual cash distributions received and more or less than what the Company may receive in the event of an actual liquidation.

The Company periodically reviews the carrying value of its investment in unconsolidated joint ventures to determine if circumstances indicate impairment to the carrying value of the investment that is other than temporary. When an impairment indicator is present, the Company will estimate the fair value of the investment. The Company's estimate of fair value takes into consideration factors such as expected future operating income, trends and prospects, as well as other factors. This determination requires significant estimates by management, including the expected cash flows to be generated by the assets owned and operated by the joint venture. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount over the fair value of the Company's investment in the unconsolidated joint venture.

Revenue Recognition

Revenue from hotel operations is recognized when rooms are occupied and when services are provided. Revenue consists of amounts derived from hotel operations, including sales from room, meeting room, gift shop, in-room movie and other ancillary amenities. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenues) in the accompanying consolidated statements of operations.

Share-Based Compensation

We measure compensation expense for the restricted share awards and LTIP units based upon the fair market value of our common shares at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period and is included in general and administrative expense in the accompanying consolidated statement of operations. We pay dividends on vested and nonvested restricted shares, except for performance based shares for which dividends on unvested shares are not paid until these shares are vested.

Income Taxes

We elected to be taxed as a REIT for federal income tax purposes. In order to qualify as a REIT under the Code, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to our shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to federal income tax to the extent we currently distribute our taxable income to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to shareholders. However, we believe we have been organized and that we operate in such a manner as to qualify for treatment as a REIT.

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 created a uniform framework for applying fair value measurement principles for

companies around the world and clarified existing guidance in U.S. GAAP. ASU 2011-04 is effective for the first annual reporting period beginning after December 15, 2011. The Company adopted this standard and it did not have any material effect on the consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive Income. This update is intended to increase the prominence of other comprehensive income in the financial statements by requiring public companies to present comprehensive income either as a single statement detailing the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income or using a two statement approach including both a statement of income and a statement of comprehensive income. The option to present other comprehensive income in the statement of changes in equity has been eliminated. The amendments in this update are effective for public companies for fiscal years, and interim periods beginning after December 15, 2011. Currently, the Company has no items of other comprehensive income in any periods presented.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Interest rate 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. 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 will 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 and maturity and fair value of the underlying collateral. The estimated fair value of the Company's fixed rate debt as of December 31, 2012 and 2011 was $168.2 million and $159.4 million, respectively.

At December 31, 2012, 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 our financial instruments that are sensitive to changes in interest rates (in thousands):

Expected Maturities

	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
Liabilities								
Floating rate:								
Debt			$79,500				$ 79,500	$ 79,504
Average interest rate (1)			2.97%				2.97%	
Fixed rate:								
Debt	$1,981	$2,106	$ 6,786	$134,733	$ 378	$ 13,762	$159,746	$168,195
Average interest rate	5.95%	5.95%	5.88%	6.00%	5.75%	5.75%	5.97%	

(1) LIBOR of 0.22 % plus a margin of 2.75% at December 31, 2012.

We estimate that a hypothetical one-percentage point increase in the variable interest rate would result in additional interest expense of approximately $0.8 million annually. This assumes that the amount outstanding under our floating rate debt remains at $79.5 million, the balance as of December 31, 2012.

Item 8. ***Consolidated Financial Statements and Supplementary Data***

See our Consolidated Financial Statements and the Notes thereto beginning at page F-1 included in Item 15.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***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.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. A company's internal control over financial reporting is a process designed 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.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework". Based on our assessment, management has concluded that, as of December 31, 2012, our internal control over financial reporting is effective, based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2012, has been audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm as stated in their report, which appears on page F-2 of this Annual Report on Form 10-K.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Trustees, Executive Officers and Corporate Governance***

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders to be held on May 17, 2013.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders to be held on May 17, 2013.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders to be held on May 17, 2013.

Item 13. ***Certain Relationships and Related Transactions, and Trustee Independence***

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders to be held on May 17, 2013.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders to be held on May 17, 2013.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

1. Financial Statements

Included herein at pages F-1 through F-26

2. Financial Statement Schedules

The following financial statement schedule is included herein at page F-27:

Schedule III – Real Estate and Accumulated Depreciation

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

3. Exhibits

A list of exhibits required to be filed as part of this report on Form 10-K is set forth in the Exhibit Index, which immediately precedes such exhibits.

4. Separate Financial Statements of Subsidiaries Not Consolidated

The following financial statements of INK Acquisition, LLC and affiliates are as follows:

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Form of Amended and Restated Declaration of Trust of Chatham Lodging Trust(1)
3.2	Form of Bylaws of Chatham Lodging Trust(1)
3.3	Agreement of Limited Partnership of Chatham Lodging, L.P.(1)
10.1*	Chatham Lodging Trust Equity Incentive Plan(2)
10.2(a)*	Form of Employment Agreement between Chatham Lodging Trust and Jeffrey H. Fisher(1)
10.2(b)*	Form of Employment Agreement between Chatham Lodging Trust and Peter Willis(1)
10.2(c)*	Form of Employment Agreement between Chatham Lodging Trust and Dennis M. Craven(3)
10.3*	Form of Indemnification Agreement between Chatham Lodging Trust and its officers and trustees(1)
10.4*	Form of LTIP Unit Vesting Agreement(1)
10.5*	Form of Share Award Agreement for Trustees(1)
10.6*	Form of Share Award Agreement for Officers(2)
10.7*	Share Award Agreement, dated as of February 23, 2012, between Chatham Lodging Trust and Jeffery H. Fisher (Time-Based Share Awards)(4)
10.8*	Share Award Agreement, dated as of February 23, 2012, between Chatham Lodging Trust and Dennis M. Craven (Time-Based Share Awards)(4)
10.9*	Share Award Agreement, dated as of February 23, 2012, between Chatham Lodging Trust and Peter Willis (Time-Based Share Awards)(4)
10.10*	Share Award Agreement, dated as of February 23, 2012, between Chatham Lodging Trust and Jeffery H. Fisher (Performance-Based Share Awards)(4)
10.11*	Share Award Agreement, dated as of February 23, 2012, between Chatham Lodging Trust and Dennis M. Craven (Performance-Based Share Awards)(4)
10.12*	Share Award Agreement, dated as of February 23, 2012, between Chatham Lodging Trust and Peter Willis (Performance-Based Share Awards)(4)
10.13	Form of IHM Hotel Management Agreement(1)
10.14	Amended and Restated Credit Agreement, dated as of November 5, 2012, among Chatham Lodging Trust, Chatham Lodging, L.P., as borrower, the lenders and other guarantors party thereto and Barclays Bank PLC, as administrative agent
10.15	Form of Amended and Restated Limited Liability Company Agreement of INK Acquisition II LLC, dated October 27, 2011, by and among CRE-Ink Member II Inc. and Chatham TRS Holding Inc(6)
10.16	Agreement of Purchase and Sale, dated as of May 3, 2011, by and among Chatham Lodging LP, as purchaser, and KPA RIMV, LLC, KPA RIGG LLC, KPA Tysons Corner RI, LLC, KPA Washington DC, LLC and KPA San Antonio, LLC, as sellers, for the Residence Inn, San Diego, CA, Residence Inn, Anaheim, CA, Residence Inn Tysons Corner, VA, Double Tree Washington, DC and Homewood Suites, San Antonio, TX (6)

Exhibit Number	Exhibit Description
10.17	First Amendment to Agreement of Purchase and Sale, dated as of May 12, 2011, by and among Chatham Lodging LP, as purchaser, and KPA RIMV, LLC, KPA RIGG LLC, KPA Tysons Corner RI, LLC, KPA Washington DC, LLC and KPA San Antonio, LLC, as sellers, for the Residence Inn, San Diego, CA, Residence Inn, Anaheim, CA, Residence Inn Tysons Corner, VA, Double Tree Washington, DC and Homewood Suites, San Antonio, TX (6)
10.18	Amended and restated binding commitment agreement regarding the acquisition and restructuring of certain subsidiaries of Innkeepers USA Trust dated as of May 16, 2011 (6)
21.1	List of Subsidiaries of Chatham Lodging Trust
23.1	PricewaterhouseCoopers LLP Consent to include Report on Financial Statements of Chatham Lodging Trust
23.2	PricewaterhouseCoopers LLP Consent to include Report on Financial Statements of INK Acquisitions LLC
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**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE**	XBRL Taxonomy Extension Label Linkbase Document

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

** Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) Incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11 filed with the SEC on February 12, 2010 (File No. 333-162889).

(2) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 13, 2010 (File No. 001-34693).

(3) Incorporated by reference to the Registrant's Registration Statement on Form S-11 filed with the SEC on October 28, 2010 (File No. 333-170176).

(4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 8, 2012 (File No. 001-34693).

(5) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on October 18, 2010.

(6) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2011 (File No. 001-34693).

INK Acquisition, LLC and Affiliates

Financial Statements

As of and For the Year Ended December 31, 2012 and As of and For the Period from October 27, 2011 (commencement of operations) through December 31, 2011

With Report of Independent Registered Certified Public Accounting Firm

Report of Independent Registered Certified Public Accounting Firm

To the Partners of
Ink Acquisition, LLC and Affiliates

In our opinion, the accompanying combined balance sheet and the related combined statements of operations, of owners' equity and of cash flows present fairly, in all material respects, the financial position of Ink Acquisition, LLC and Affiliates at December 31, 2012, and the results of their operations and their cash flows for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 14, 2013

INK Acquisition, LLC & Affiliates
Combined Balance Sheets
(In thousands)

	December 31, 2012	December 31, 2011 (unaudited)
Assets:		
Investment in hotel properties, net	$ 862,747	$ 894,288
Hotels held for sale	13,338	75,436
Cash and cash equivalents	26,554	33,820
Restricted cash	25,798	25,513
Hotel receivables (net of allowance for doubtful accounts of $417 and $434, respectively)	3,553	6,540
Deferred costs, net	10,630	10,959
Prepaid expenses and other assets	6,276	1,988
Total assets	$ 948,896	$1,048,544
Liabilities and Owners' Equity:		
Debt	$ 792,239	$ 675,000
Hotels held for sale	639	1,834
Accounts payable and accrued expenses	26,402	21,796
Total liabilities	819,280	698,630
Commitments and contingencies		
Owners' Equity		
Owners' equity	129,616	349,914
Total owners' equity	129,616	349,914
Total liabilities and owners' equity	$ 948,896	$1,048,544

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

INK Acquisition, LLC & Affiliates
Combined Statements of Operations
(In thousands)

	For the year ended December 31, 2012	For the Period from October 27, 2011 (Commencement of Operations) to December 31, 2011 (unaudited)
Revenue:		
Room	$ 234,576	$ 31,500
Other operating	17,036	2,840
Total revenue	251,612	34,340
Expenses:		
Hotel operating expenses:		
Room	47,738	7,375
Other operating	95,720	13,884
Total hotel operating expenses	143,458	21,259
Depreciation and amortization	51,622	9,181
Property taxes and insurance	11,723	1,792
General and administrative	4,946	1,004
Hotel property acquisition costs	413	4,599
Total operating expenses	212,162	37,835
Operating income (loss)	39,450	(3,495)
Interest and other income	62	1,467
Interest expense, including amortization of deferred fees	(55,605)	(8,404)
Loss from continuing operations	(16,093)	(10,432)
Income (loss) from discontinued operations	(404)	346
Gain on sale of assets from discontinued operations	2,496	—
Net income from discontinued operations	2,092	346
Net loss	$ (14,001)	$ (10,086)

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

INK Acquisition, LLC & Affiliates
Combined Statements of Owners' Equity
(In thousands)

Commencement of operations	Owners' Equity
Balance at October 27, 2011 (unaudited)	$ 360,000
Net loss (unaudited)	(10,086)
Balance at December 31, 2011 (unaudited)	349,914
Balance at January 1, 2012	349,914
Distributions	(206,297)
Net loss	(14,001)
Balance at December 31, 2012	**$ 129,616**

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

INK Acquisition, LLC & Affiliates
Combined Statements of Cash Flows
(In thousands)

	For the year ended December 31, 2012	For the Period from October 27, 2011 (Commencement of Operations) to December 31, 2011 (unaudited)
Cash flows from operating activities:		
Net loss	$ (14,001)	$ (10,086)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	49,068	8,755
Amortization of deferred franchise fees	2,594	436
Amortization of deferred costs included in interest expense	1,906	87
Impairment on hotels classified as held for sale	2,894	—
Gain on sale of hotels included in discontinued operations	2,496	—
Changes in assets and liabilities:		
Accounts receivables	3,331	(1,278)
Prepaid and inventory	(4,299)	9,727
Deferred expenses	1,194	(2,865)
Accounts payable and accrued expenses	5,215	4,569
Net cash provided by operating activities	50,398	9,345
Cash flows from investing activities:		
Improvements and additions to hotel properties	(24,893)	(2,055)
Acquisition of hotels	—	(335,096)
Proceeds from sale of hotel properties	63,113	—
Changes in restricted cash	(284)	1,688
Net cash provided by (used in) investing activities	37,936	(335,463)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	130,000	—
Payments on debt issuance costs	(4,771)	—
Payments on debt	(12,761)	—
Payment of franchise obligation	(1,804)	—
Contributions from owners	—	360,000
Distributions to owners	(206,297)	
Net cash provided by (used in) financing activities	(95,633)	360,000
Net change in cash and cash equivalents	(7,299)	33,882
Cash and cash equivalents, beginning of period	33,882	—
Cash and cash equivalents, end of period	$ 26,583	$ 33,882
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 53,131	$ 5,419
Supplemental disclosure of non-cash information:		
Accrued improvements and additions to hotel properties	$ 952	$ 1,662

See Note 3 to the financial statements for a description of assets and liabilities acquired in connection with the acquisition of 64 hotels from Innkeepers.

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

INK Acquisition, LLC & Affiliates
Notes to combined Financial Statements
(dollars in thousands)

1. Organization

INK Acquisition, LLC and a series of affiliated partnerships (see below) were formed in 2011 to acquire the assets and associated operations of 64 hotels as a result of the bankruptcy reorganization plan of affiliates of Innkeepers USA Trust ("Innkeepers"). The affiliated partnerships are as follows:

INK Acquisition II, LLC
INK Acquisition III, LLC
INK Acquisition IV, LLC
INK Acquisition V, LLC
INK Acquisition VI, LLC
INK Acquisition VII, LLC

INK Acquisition, LLC and the affiliated partnerships above (collectively "we," "us," or the "Company") are each owned 89.7% by CRE-Ink REIT Member, LLC and its affiliates ("Cerberus") and 10.3% by Chatham Lodging, LP ("Chatham"). In addition, an entity owned by Jeffrey H. Fisher, Chatham's chief executive officer, owns a 0.5% non-voting interest in CRE-Ink REIT Member, LLC. The Company had no substantive operations until October 27, 2011 when the 64 hotels discussed above were acquired.

At December 31, 2012, the Company owned 55 hotels with an aggregate of 7,282 rooms located in 18 states. The hotels operate under the following brands: Residence Inn by Marriott (34 hotels), Hampton Inn by Hilton (6 hotels), Hyatt House (5 hotels), Courtyard by Marriott (3 hotels), Stay Inn (3 hotels), Stay Inn (3 hotels), Four Points by Sheraton (1 hotel), Sheraton (1 hotel), TownePlace Suites (1 hotel), and Westin (1 hotel). The day to day management of the hotels is provided pursuant to management agreements with Island Hospitality Management ("IHM"). Jeffrey H. Fisher is the 90% majority owner of IHM.

As of December 31, 2012, the 55 hotels operate under the following brands: Residence Inn by Marriott (34 hotels), Hampton Inn by Hilton (6 hotels), Hyatt House (5 hotels), Courtyard by Marriott (3 hotels), Stay Inn (3 hotels), Four Points by Sheraton (1 hotel), Sheraton (1 hotel), TownePlace Suites (1 hotel), and Westin (1 hotel).

2. Summary of Significant Accounting Policies

Basis of Presentation

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All intercompany accounts and transactions have been eliminated. These financial statements are being presented on a combined basis as the Company is under common management and control.

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 and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allocation of the purchase price of hotels, the allowance for doubtful accounts and the fair value of hotels that are held for sale or impaired.

Fair Value of Financial Instruments

FASB guidance on fair value measurements and disclosures defines fair value for GAAP and establishes a framework for measuring fair value as well as a fair value hierarchy based on the quality and nature of inputs used to measure fair value. The term “fair value” in these financial statements is defined in accordance with GAAP. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

The carrying value of the Company’s cash, accounts receivables, accounts payable and accrued expenses approximate fair value because of the relatively short maturities of these instruments. The Company is not required to carry any other assets or liabilities at fair value on a recurring basis other than its interest caps. The interest rate caps are valued using Level 3 inputs and are valued at zero as of December 31, 2012 and 2011. When the Company classifies an asset as held for sale, the Company assesses whether the asset’s carrying value is greater than fair value less selling costs. If so, the asset is written down to fair value less selling costs on a nonrecurring basis. The fair value determinations are based on Level 3 inputs as they are generally based on broker quotes or other comparable sales information.

Investment in Hotel Properties

The Company allocates the purchase prices of hotel properties acquired based on the fair value of the acquired real estate, furniture, fixtures and equipment, identifiable intangible assets and assumed liabilities. In making estimates of fair value for purposes of allocating the purchase price, the Company utilizes a number of sources of information that are obtained in connection with the acquisition of a hotel property, including valuations performed by independent third parties and information obtained about each hotel property resulting from pre-acquisition due diligence. Hotel property acquisition costs are expensed in the period incurred.

The Company’s investment in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 39 years for buildings, 20 years for land improvements, 15 years for building improvements and three to ten years for furniture, fixtures and equipment. Renovations and/or replacements at the hotel properties that improve or extend the life of the assets are capitalized and depreciated over their useful lives, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the Company’s accounts and any resulting gain or loss is recognized in the combined statements of operations.

The Company periodically reviews its hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, management performs an analysis to determine if the estimated undiscounted future cash flows, without interest charges, from operations and the net proceeds from the ultimate disposition of a hotel property exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount, an adjustment to reduce the carrying amount to the related hotel property’s estimated fair market value is recorded and an impairment loss recognized. As of December 31, 2012 and 2011, no impairment charges on hotels held for use were recorded.

The Company will consider a hotel property as held for sale when either the Company determines it will be actively selling the hotel or a binding agreement to purchase the property has been signed under which the buyer has committed a significant amount of nonrefundable cash, no significant financing contingencies exist which could cause the transaction not to be completed in a timely manner and the sale is expected to occur within one year. If these criteria are met, depreciation and amortization of the hotel property ceases and the carrying value of each hotel is recorded at the lower of its carrying value or its estimated fair value less estimated costs to sell. The Company classifies together with the related operating results, as discontinued operations in the combined statements of operations and classifies the assets and related liabilities as held for sale in the combined balance sheets for all periods presented. As of December 31, 2012, the Company has the following hotel properties held for sale: Lombard, IL; Schaumburg, IL; Woburn, MA; and Fort Wayne, IN. As of December 31, 2012, the Company recorded impairment charges of $2,894 related to three hotels for which the carrying value exceeded the estimated fair value less estimated costs to sell.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short term liquid investments with an original maturity of three months or less. Cash balances in individual banks may exceed federally insurable limits.

Restricted Cash

Restricted cash represents escrows for reserves required pursuant to the Company's loans or hotel management agreements. Included in restricted cash on the accompanying combined balance sheet at December 31, 2012 and December 31, 2011, respectively, are renovation, property tax and insurance escrows of $25,798 and $25,513. Certain of the hotel mortgage loan agreements require the Company to fund 4% of gross hotel revenues on a monthly basis for furnishings, fixtures and equipment and general repair maintenance reserves ("Replacement Reserve"), property tax and insurance reserves into an escrow account held by Lender.

Hotel Receivables

Hotel receivables consist of amounts owed by guests staying at the Company's hotels at year end and amounts due from business and group customers. An allowance for doubtful accounts is provided and maintained at a level believed to be adequate to absorb estimated losses. At December 31, 2012 and 2011, the allowance for doubtful accounts was $417 and $434, respectively.

Deferred Costs

Deferred costs consisted of the following at December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Loan costs	7,791	3,000
Franchise fees	3,801	3,801
Other	4,018	4,687
	15,610	11,488
Less accumulated amortization	(4,980)	(529)
Deferred costs, net	10,630	10,959

Loan costs are recorded at cost and amortized over a straight-line basis, which approximates the effective interest rate method, over the term of the loan. Franchise fees are recorded at cost and amortized over a straight-line basis over the term of the franchise agreements. For the years ended December 31, 2012 and 2011, other deferred costs primarily relate to franchise conversion

costs of $3,494 and $3,494 respectively. For the years ended December 31, 2012 and 2011, amortization expense related to franchise conversion fees and franchise fees of $2,594 and $436 respectively, is included in depreciation and amortization in the combined statements of operations. Amortization expense related to loan costs of $1,906 and $87 respectively, is included in interest expense in the combined statement of operations.

Prepaid Expenses and Other Assets

The Company's prepaid expenses and other assets consist of prepaid insurance, deposits, hotel supplies inventory and the fair value of the company's interest rate caps.

Accounting for derivative instruments

The Company records its derivative instruments on the balance sheet at their estimated fair value. Changes in the fair value of 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 one — month LIBOR interest rate were to exceed 3.0%. Accordingly, the interest rate caps are recorded on the balance sheet at estimated fair value with realized and unrealized changes in the fair value reported in the combined statement of operations.

Revenue Recognition

Revenue from hotel operations is recognized when rooms are occupied and when services are provided. Revenue consists of amounts derived from hotel operations, including sales from room, meeting room, restaurants, gift shop, in-room movie and other ancillary amenities. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenue) in the accompanying combined statements of operations.

Income Taxes

The Company's subsidiaries are treated as partnerships for federal and state income taxes. Each member receives a partnership K-1 for tax purposes.

Segment Information

The Company evaluates all of its hotels as a single industry segment because all of the hotels have similar economic characteristics and provide similar services to similar types of customers. Accordingly, the Company does not report segment information.

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 created a uniform framework for applying fair value measurement principles for companies around the world and clarified existing guidance in U.S. GAAP. ASU 2011-04 is effective for the first reporting annual period beginning after December 15, 2011. The Company adopted this standard and it did not have any material effect on the consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive income. This update is intended to increase the prominence of other comprehensive income in

the financial statements by requiring public companies to present comprehensive income either as a single statement detailing the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income or using a two statement approach including both a statement of income and a statement of comprehensive income. The option to present other comprehensive income in the statement of changes in equity has been eliminated. The amendments in this update are effective for public companies for fiscal years, and interim periods beginning after December 15, 2011. Currently, the Company has no items of other comprehensive income in any periods presented.

3. Acquisition of Hotel Properties

On October 27, 2011, the Company acquired 64 hotels from Innkeepers for a purchase price of approximately $1,020,000. Prior to the Innkeepers acquisition, the Company was funded with member contributions of $360,000. The Company funded the acquisition with available cash, the assumption of debt of $675,000 and the assumption of other liabilities of $15,073. The Company incurred acquisition costs of $5,012 related to the Innkeepers acquisition.

Hotel Purchase Price Allocation

The Company recorded the purchase price allocation related to the Innkeepers acquisition in accordance with the business combination guidance. Subsequent to the initial purchase price allocation and within the one year measurement period, new information was obtained about facts and circumstances that existed as of the acquisition date. As such, the purchase price allocation of the Innkeepers acquisition was retroactively adjusted to include the effect of this measurement period adjustment. The retroactively adjusted purchase price allocation (including the payment of certain deferred loan and franchise costs required at closing to consummate the transaction) is as follows:

	Innkeepers
Land	$ 178,949
Building and improvements	721,690
Furniture, fixtures and equipment	70,276
Cash	24,904
Restricted Cash	27,201
Accounts Receivable	5,638
Prepaid & Other Assets	11,783
Deferred Expenses (including loan costs)	9,632
Debt	(675,000)
Accounts Payable & Accrued Expenses	(15,073)
Net assets acquired	$ 360,000
Net assets acquired, net of cash	$ 335,096

4. Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts at a level believed to be adequate to absorb losses and is based on past loss experience, current economic and market conditions and other relevant factors. The allowance for doubtful accounts was $417 and $434 as of December 31, 2012 and 2011, respectively.

5. Investment in Hotel Properties

Investment in hotel properties as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Land and improvements	$158,164	$157,787
Building and improvements	689,633	676,013
Furniture, fixtures and equipment	68,000	63,023
Renovations in progress	4,773	6,220
	920,570	903,043
Less accumulated depreciation	(57,823)	(8,755)
Investment in hotel properties, net	$862,747	$894,288

6. Debt

Debt is comprised of the following at December 31, 2012 and 2011:

	Interest Rate	Monthly Payment (In thousands)			Principal Balance (In thousands)		Property Carrying Value (In thousands)	
	2012	Amount	Beginning	Maturity Date	2012	2011	2012	2011
Fixed rate debt								
Mortgage loan(3)	6.7125%	$3,809	11/09/11	07/09/17	$662,239	$675,000	$687,577	$727,139
Variable rate 10 hotel debt								
Mortgage loan(1)	4.6%	359	3/9/2012	03/09/15	90,000	—	127,060	—
Mezzanine loan(2)	12.1%	420	3/9/2012	03/09/15	40,000	—	56,472	—
					$792,239	$675,000	$871,109	$727,139

(1) Interest only payments are due monthly. The interest rate is based on one month LIBOR plus 4.0%, subject to a minimum LIBOR rate of 0.6% and the rate disclosed is based on the minimum aggregate rate of 4.6%. The loan is subject to two one-year extensions at the Company's option.

(2) Interest only payments are due monthly. The interest rate is based on one month LIBOR plus 11.5%, subject to a minimum LIBOR rate of 0.6% and the rate disclosed is based on the minimum rate of 12.1%. The loan is subject to two one-year extensions at the Company's option.

(3) Collateralized by 55 and 64 hotels as of December 31, 2012 and 2011, respectively. The loan assumed in connection with the Innkeepers acquisition has predetermined allocable loan values by hotel for the sale of any hotels that collateralize the loan and does not include prepayment penalties for any such prepayments in connection with the hotel sales.

The company estimates the fair value of its fixed rate debt using an income approach valuation method by discounting the future cash flows of each instrument at estimated market rates. 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. Level 3 typically consists of mortgages because of the significance of the collateral value to the value of the loan. The estimated fair value of the Company's fixed rate debt as of December 31, 2012 and 2011 was $785,000 and $675,000, respectively.

As of December 31, 2012, the Company was in compliance with all of its financial covenants. Future scheduled principal payments of debt obligations as of December 31, 2012, for each of the next five calendar years and thereafter is as follows:

	Amount
2013	—
2014	—
2015	130,000
2016	—
2017	662,239
Thereafter	—
	$792,239

7. Owners' Equity

The ownership of the Company at December 31, 2012 and 2011 was as follows:

Member's Name	12/31/2012	12/31/2011
CRE — Ink REIT Member LLC	89.70%	89.70%
Chatham Lodging, LP	10.30%	10.30%
Total Contribution	**100.00%**	**100.00%**

8. Commitments and Contingencies

Litigation

The nature of the operations of the hotels exposes the hotels and the Company to the risk of claims and litigation in the normal course of their business. The Company is not presently subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company or its properties.

Hotel Ground Rent

The Courtyard by Marriott Ft. Lauderdale, FL hotel is subject to a ground lease with an expiration date of August 1, 2034. Rent is equal to approximately $8,800 per month, with minimum rent subject to increase based on increases in the consumer price index.

The Hampton Inn, Woburn, MA hotel is subject to a ground lease with an expiration date of October 3, 2084. Rent is equal to approximately $12,100 per month; with minimum rent increase every five years.

The following is a schedule of the minimum future obligation payments required under the ground leases:

	Amount
2013	$ 254
2014	257
2015	261
2016	267
2017	302
Thereafter	14,170
Total	$15,511

Hotel Management Agreements

As of December 31, 2012, all but one of the hotels is managed by IHM. The other hotel is managed by Dimension Development Company ("Dimension"). The management agreements with IHM have an initial term of five years. 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 thirty days advance notice. The IHM management agreements may be terminated for cause, including the failure of the managed hotel to meet specified performance levels. The management agreement with Dimension was terminated by the Company on December 31, 2012. The Company retained IHM to manage the hotel beginning January 1, 2013.

Hotel Franchise Agreements

The TRS Lessee has entered into franchise agreements with Marriott International, Inc. ("Marriott"), relating to thirty-four Residence Inns, three Courtyards by Marriott and one TownePlace Suites. These franchise agreements expire between 2016 and 2028. The Marriott franchise agreements provide for franchise fees ranging from 5.0% to 6.5% of the hotel's gross room sales and marketing fees ranging from 1.5% to 2.5% of the hotel's gross room sales. The Marriott franchise agreements are terminable by Marriott in the event that the applicable franchisee fails to cure an event of default or, in certain circumstances such as the franchisee's bankruptcy or insolvency, are terminable by Marriott at will. The Marriott franchise agreements provide that, in the event of a proposed transfer of the hotel, the TRS Lessee's interest in the agreement or more than a specified amount of the TRS Lessee to a competitor of Marriott, Marriott has the right to purchase or lease the hotel under terms consistent with those contained in the respective offer and may terminate if the TRS Lessee elects to proceed with such a transfer.

The TRS Lessee has entered into franchise agreements with Hampton Inns Franchise LLC ("Hampton Inns"), relating to eight Hampton Inns. The franchise agreements expire between 2016 and 2021. The Hampton Inns franchise agreements provide for a monthly program fee equal to 4% of the hotel's gross rooms revenue and a royalty fees equal to 5% of the hotel's gross rooms revenue. Hampton Inns may terminate the franchise agreements in the event that the franchisee fails to cure an event of default or, in certain circumstances such as the franchisee's bankruptcy or insolvency.

The TRS Lessee has entered into franchise agreements with The Sheraton, LLC ("Sheraton"), relating to the Fort Walton Beach — Sheraton Four Points, Fort Walton Beach, Florida hotel and the Rockville Sheraton, Rockville, Maryland hotel. The franchise agreements have initial terms of 20 years and expires in 2031. Neither of the agreements has a renewal option. The Sheraton franchise agreements provide for royalty fees ranging from 5.0% to 6.0% of gross rooms sales and royalty fees of 3% of gross food and beverage sales as to one of the Sheratons. The agreements provide for marketing fees ranging from 1.0% to 1.25% of gross rooms sales. Sheraton may terminate the franchise agreements in the event that the franchisee fails to cure an event of default or, in certain circumstances such as franchisee's bankruptcy or insolvency.

The TRS Lessee has entered into a franchise agreement with Westin Hotel Management, Inc. ("Westin") relating to the Morristown-Westin Governor Morris hotel. The franchise agreement has an initial term of 20 years and expires in 2031. It has no renewal option. The Westin franchise agreement provides for royalty fees of 7% of gross rooms sales and 3% of gross food and beverage sales. The agreement provides for marketing fees of 2% of gross rooms sales. Westin may terminate the franchise agreement in the event that the franchisee fails to cure an event of default or, in certain circumstances such as franchisee's bankruptcy or insolvency.

The TRS Lessee has entered into franchise agreements with Hyatt House Franchising, LLC ("Hyatt House") relating to five Hyatt House hotels. The franchise agreements have an initial term of 20 years and expires in 2022. Each has a renewal option of 10 years. The Hyatt House franchise agreements provide for royalty fees ranging from 3% to 5% of gross rooms revenue and marketing fees of 3.5% of gross rooms revenue. Hyatt may terminate the franchise agreements in the event that the franchisee fails to cure an event of default or, in certain circumstances such as franchisee's bankruptcy or insolvency.

9. Discontinued Operations

As of December 31, 2012, the Company has four hotel properties classified as held for sale. The four hotels are the Stay Inns located in Lombard, IL; Schaumburg, IL; Woburn, MA and Fort Wayne, IN. As of December 31, 2011, the Company had thirteen properties held for sale, of which nine were sold during 2012. During the year ended December 31, 2012, the Company recognized a net gain on sale of the nine hotels for $2,496.

The following table sets forth the components of discontinued operations for the year ended December 31, 2012 and through period from inception to December 31, 2011:

	2012	2011
Hotel operating revenue	17,155	4,050
Hotel operating expenses	(13,166)	(3,222)
Depreciation	—	—
Amortization of franchise fees	(40)	(10)
Property taxes and insurance	(1,304)	(419)
General and administrative	(155)	(27)
Impairment on hotels classified as held for sale	(2,894)	—
Other charges	—	(26)
Income(loss) from discontinued operations	(404)	346
Realized Gain on sale of assets from discontinued operations	2,496	—
Net Income from discontinued operations	2,092	346
Land and improvements	3,003	21,162
Building and improvements	8,310	45,697
Furniture and equipment	1,834	7,255
Renovations in progress	—	167
Other assets	191	1,155
Total assets held for sale	13,338	75,436
Accounts payable and accrued expenses	639	1,834
Total liabilities hotels held for sale	639	1,834

10. Related Party Transactions

As of December 31, 2012, all but one of the 55 hotels are managed by IHM. Management, revenue management and accounting fees paid by the Company to IHM for the year ended December 31, 2012 and period from October 27, 2011 (commencement of operations) and December 31, 2011 were $6,562 and $949, respectively. At December 31, 2012 and 2011, the amounts due to IHM were $568 and $499 respectively.

11. Subsequent Events

The Company has performed an evaluation of subsequent events since the balance sheet date through March 14, 2013, the date of issuance of the financial statements.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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: March 14, 2013

/s/ JEFFREY H. FISHER
Jeffrey H. Fisher
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JEFFREY H. FISHER Jeffrey H. Fisher	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 14, 2013
/s/ DENNIS M. CRAVEN Dennis M. Craven	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2013
/s/ MILES BERGER Miles Berger	Trustee	March 14, 2013
/s/ THOMAS J. CROCKER Thomas J. Crocker	Trustee	March 14, 2013
/s/ JACK P. DEBOER Jack P. DeBoer	Trustee	March 14, 2013
/s/ GLEN R. GILBERT Glen R. Gilbert	Trustee	March 14, 2013
/s/ C. GERALD GOLDSMITH C. Gerald Goldsmith	Trustee	March 14, 2013
/s/ ROBERT PERLMUTTER Robert Perlmutter	Trustee	March 14, 2013
/s/ ROLF E. RUHFUS Rolf E. Ruhfus	Trustee	March 14, 2013
/s/ JOEL F. ZEMANS Joel F. Zemans	Trustee	March 14, 2013

CHATHAM LODGING TRUST

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Certified Public Accounting Firm

To the Board of Trustees and Shareholders of
Chatham Lodging Trust:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of equity and of cash flows present fairly, in all material respects, the financial position of Chatham Lodging Trust and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2012 and 2011). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 14, 2013

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

	December 31, 2012	December 31, 2011
Assets:		
Investment in hotel properties, net	$ 426,074	$ 402,815
Cash and cash equivalents	4,496	4,680
Restricted cash	2,949	5,299
Investment in unconsolidated real estate entities	13,362	36,003
Hotel receivables (net of allowance for doubtful accounts of $28 and $17, respectively)	2,098	2,057
Deferred costs, net	6,312	6,350
Prepaid expenses and other assets	1,930	1,502
Total assets	$ 457,221	$ 458,706
Liabilities and Equity:		
Debt	$ 159,746	$ 161,440
Revolving credit facility	79,500	67,500
Accounts payable and accrued expenses	8,488	10,184
Distributions payable	2,875	2,464
Total liabilities	250,609	241,588
Commitments and contingencies		
Equity:		
Shareholders' Equity:		
Preferred shares, $0.01 par value, 100,000,000 shares authorized and unissued at December 31, 2012 and 2011	—	—
Common shares, $0.01 par value, 500,000,000 shares authorized; 13,909,822 and 13,908,907 shares issued and outstanding, respectively at December 31, 2012 and 13,820,854 and 13,819,939 shares issued and outstanding,respectively at December 31, 2011	137	137
Additional paid-in capital	240,355	239,173
Accumulated deficit	(35,491)	(23,220)
Total shareholders' equity	205,001	216,090
Noncontrolling Interests:		
Noncontrolling Interest in Operating Partnership	1,611	1,028
Total equity	206,612	217,118
Total liabilities and equity	$ 457,221	$ 458,706

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)

	For the years ended December 31, 2012	2011	2010
Revenue:			
Room	$ 94,566	$ 70,421	$ 24,743
Other operating	4,276	2,675	727
Cost reimbursements from unconsolidated real estate entities	1,622	—	—
Total revenue	100,464	73,096	25,470
Expenses:			
Hotel operating expenses:			
Room	20,957	16,011	5,989
Other operating	34,073	26,156	9,036
Total hotel operating expenses	55,030	42,167	15,025
Depreciation and amortization	14,273	11,971	2,564
Property taxes and insurance	7,088	5,321	1,606
General and administrative	7,565	5,802	3,547
Hotel property acquisition costs	236	7,706	3,189
Reimbursed costs from unconsolidated real estate entities	1,622	—	—
Total operating expenses	85,814	72,967	25,931
Operating income (loss)	14,650	129	(461)
Interest and other income	55	22	193
Interest expense, including amortization of deferred fees	(14,641)	(8,190)	(932)
Loss from unconsolidated real estate entities	(1,439)	(997)	—
Loss before income tax expense	(1,375)	(9,036)	(1,200)
Income tax expense	(75)	(69)	(17)
Net loss	$ (1,450)	$ (9,105)	$ (1,217)
Loss per Common Share — Basic:			
Net loss attributable to common shareholders (Note 11)	$ (0.12)	$ (0.69)	$ (0.20)
Loss per Common Share — Diluted:			
Net loss attributable to common shareholders (Note 11)	$ (0.12)	$ (0.69)	$ (0.20)
Weighted average number of common shares outstanding:			
Basic	13,811,691	13,280,149	6,377,333
Diluted	13,811,691	13,280,149	6,377,333

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)

	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount					
Balance, January 1, 2010	1,000	$ —	$ 10	$ —	$ 10	$ —	$ 10
Issuance of shares, net of offering costs of $13,752	9,125,000	91	168,657	—	168,748	—	168,748
Repurchase of common shares	(1,000)	—	(10)		(10)	—	(10)
Issuance of restricted shares	87,000	—	—	—	—	—	—
Forfeiture of restricted shares	(3,250)	—	—	—	—	—	—
Amortization of share based compensation	—	—	432	—	432	515	947
Dividends declared on common shares ($0 .35 per share)	—	—	—	(3,224)	(3,224)	—	(3,224)
Distributions declared on LTIP units ($0 .35 per unit)	—	—	—	—	—	(90)	(90)
Net loss	—	—	—	(1,217)	(1,217)		(1,217)
Balance, December 31, 2010	9,208,750	$ 91	$ 169,089	$ (4,441)	$ 164,739	$ 425	$165,164
Issuance of shares pursuant to Equity Incentive Plan	12,104	—	210	—	210	—	210
Issuance of shares, net of offering costs of $4,153	4,600,000	46	69,401	—	69,447	—	69,447
Repurchase of vested common shares	(915)	—	(15)	—	(15)	—	(15)
Amortization of share based compensation	—	—	488	—	488	783	1,271
Dividends declared on common shares ($0 .70 per share)	—	—	—	(9,674)	(9,674)	—	(9,674)
Distributions declared on LTIP units ($0 .70 per unit)	—	—	—	—	—	(180)	(180)
Net loss	—	—	—	(9,105)	(9,105)	—	(9,105)
Balance, December 31, 2011	13,819,939	$ 137	$ 239,173	$ (23,220)	$ 216,090	$ 1,028	$217,118
Issuance of shares pursuant to Equity Incentive Plan	27,592	—	300	—	300	—	300
Issuance of restricted time-based shares	61,376	—	—	—	—	—	—
Amortization of share based compensation	—	—	882	—	882	781	1,663
Dividends declared on common shares ($0 .775 per share)	—	—	—	(10,821)	(10,821)	—	(10,821)
Distributions declared on LTIP units ($0 .775 per unit)	—	—	—	—	—	(198)	(198)
Net loss	—	—	—	(1,450)	(1,450)	0	(1,450)
Balance, December 31, 2012	13,908,907	$ 137	$ 240,355	$ (35,491)	$ 205,001	$ 1,611	$206,612

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

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

	For the years ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net loss	$ (1,450)	$ (9,105)	$ (1,217)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	14,198	11,908	2,537
Amortization of deferred franchise fees	75	63	27
Amortization of deferred financiing fees included in interest expense	1,840	1,575	280
Share based compensation	2,003	1,571	1,157
Loss from unconsolidated real estate entities	1,439	997	—
Changes in assets and liabilities:			
Hotel receivables	(41)	(1,022)	(336)
Deferred costs	(148)	(96)	(1,218)
Prepaid expenses and other assets	(428)	(633)	(76)
Accounts payable and accrued expenses	(2,603)	3,688	4,120
Net cash provided by operating activities	14,885	8,946	5,274
Cash flows from investing activities:			
Improvements and additions to hotel properties	(8,590)	(12,721)	(3,610)
Acquisition of hotel properties, net of cash acquired	(27,998)	(61,981)	(197,525)
Distributions from unconsolidated entities	21,202	—	—
Investment in unconsolidated entities	—	(37,000)	—
Restricted cash	2,350	(821)	(376)
Net cash used in investing activities	(13,036)	(112,523)	(201,511)
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt	—	15,800	—
Borrowings on revolving credit facility	38,500	127,500	37,800
Repayments on revolving credit facility	(26,500)	(97,800)	—
Payments on debt	(1,694)	(853)	(101)
Payment of financing costs	(1,452)	(1,543)	(3,799)
Payment of offering costs	(277)	(4,153)	(13,752)
Proceeds from issuance of common shares	—	73,600	182,490
In-substance repurchase of vested common shares	—	(15)	—
Distributions-common shares/units	(10,610)	(9,047)	(1,657)
Net cash (used in) provided by financing activities	(2,033)	103,489	200,981
Net change in cash and cash equivalents	(184)	(88)	4,744
Cash and cash equivalents, beginning of period	4,680	4,768	24
Cash and cash equivalents, end of period	$ 4,496	$ 4,680	$ 4,768
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 12,677	$ 6,197	+$ 527
Cash paid for income taxes	$ 135	$ 162	$ 27
Supplemental disclosure of non-cash investing and financing information:			

On January 6, 2012, the Company issued 27,592 shares to its independent Trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2011. On January 11, 2011, the Company issued 12,104 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2010.

As of December 31, 2012, the Company has accrued distributions payable of $2,875. These distributions were paid on January 25, 2013 except for $41 related to accrued but unpaid distributions on unvested performance shares (See Note 12). As of December 31, 2011, the Company has accrued distributions payable of $2,464. These distributions were paid on January 27, 2012.

Accrued share based compensation of $300, $300 and $210 are included in Accounts payable and accrued expenses as of December 31, 2012, 2011 and 2010, respectively.

Accrued capital improvements of $869 and $528 are included in Accounts payable and accrued expenses as of December 31, 2012 and 2011, respectively

For the year ended December 31, 2011, the Company assumed the mortgages on the purchase of the 5 Sisters for $134,160 (Note 3). For the year ended December 31, 2010, the Company assumed the mortgages on the purchase of the Altoona and Washington hotels for $12,434.

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

CHATHAM LODGING TRUST
Notes to the Consolidated Financial Statements

1. Organization

Chatham Lodging Trust ("we," "us" or the "Company") was formed as a Maryland real estate investment trust ("REIT") on October 26, 2009. The Company is internally-managed and was organized to invest primarily in premium-branded upscale extended-stay and select-service hotels.

The Company completed its initial public offering (the "IPO") on April 21, 2010. The IPO resulted in the sale of 8,625,000 common shares at $20.00 per share, generating $172.5 million in gross proceeds. Net proceeds, after underwriters' discounts and commissions and other offering costs, were approximately $158.7 million. Concurrently with the closing of the IPO, in a separate private placement pursuant to Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), the Company sold 500,000 of its common shares to Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer, at the public offering price of $20.00 per share, for proceeds of $10.0 million.

On February 8, 2011, the Company completed a follow-on common share offering generating gross proceeds of $73.6 million and net proceeds of approximately $69.4 million, adding equity capital to the Company's balance sheet. Using these funds as well as borrowing capacity on its secured revolving credit facility, on July 14, 2011, the Company acquired five hotels for an aggregate purchase price of $195 million, including the assumption of five individual mortgage loans secured by the hotels totaling $134.2 million. Additionally, the Company invested $37.0 million for an approximate 10.3% interest in the JV with Cerberus Capital Management ("Cerberus") that acquired 64 hotels from Innkeepers USA Trust ("Innkeepers") on October 27, 2011. The Company accounts for this investment under the equity method.

The Company had no operations prior to the consummation of the IPO. Following the closing of the IPO, the Company contributed the net proceeds from the IPO and the concurrent private placement, as well as the proceeds of the February 2011 offering, to Chatham Lodging, L.P. (the "Operating Partnership") in exchange for partnership interests in the Operating Partnership. Substantially all of the Company's assets are held by, and all of the Company's operations are conducted through, the Operating Partnership. Chatham Lodging Trust is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership. Certain of the Company's executive officers hold vested and unvested long-term incentive plan units in the Operating Partnership, which are presented as noncontrolling interests on our consolidated balance sheets.

As of December 31, 2012, the Company owned 19 hotels with an aggregate of 2,536 rooms located in 11 states and the District of Columbia and held a minority interest in the JV, which owns 55 hotels comprising an aggregate of 7,282 rooms. To qualify as a REIT, the Company cannot operate the hotels. Therefore, the Operating Partnership and its subsidiaries lease our wholly owned hotels to taxable REIT subsidiary lessees ("TRS Lessees"), which are wholly owned by one of the Company's taxable REIT subsidiary ("TRS") holding companies. The Company indirectly owns its interest in 51 of the 55 JV hotels through the Operating Partnership, and owns its interest in the remaining 4 JV hotels through one of its TRS holding companies. All of the JV hotels are leased to TRS Lessees in which the Company indirectly owns a 10.3% minority interests through one of its TRS holding companies. 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 room revenue. The initial term of each of the TRS leases is five years. Lease revenue from each TRS Lessee is eliminated in consolidation. The TRS Lessees have entered into management agreements with third party management companies that provide day-to-day management for the hotels. Island Hospitality Management Inc. ("IHM"), which is 90% owned by Mr. Fisher, manages 17 of the Company's wholly owned hotels and Concord Hospitality Enterprises Company manages two of the Company's wholly owned hotels. All but one of the JV hotels are managed by IHM. One JV hotel is managed by Dimension Development Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying 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"). These consolidated financial statements, in the opinion of management, include all adjustments considered necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the periods presented. 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.

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 and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, hotel receivables, accounts payable and accrued expenses, distributions payable and debt. Due to their relatively short maturities, the carrying values reported in the consolidated balance sheets for these financial instruments approximate fair value except for debt, the fair value of which is separately disclosed in Note 7.

Investment in Hotel Properties

The Company allocates the purchase prices of hotel properties acquired through a business combination based on the fair value of the acquired real estate, furniture, fixtures and equipment, identifiable intangible assets and assumed liabilities. In making estimates of fair value for purposes of allocating the purchase price, the Company utilizes a number of sources of information that are obtained in connection with the acquisition of a hotel property, including valuations performed by independent third parties and information obtained about each hotel property resulting from pre-acquisition due diligence. Hotel property acquisition costs, such as transfer taxes, title insurance, environmental and property condition reviews, and legal and accounting fees, are expensed in the period incurred.

The Company's investment in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 15 years for building improvements and two to seven years for furniture, fixtures and equipment. Renovations and/or replacements at the hotel properties that improve or extend the life of the assets are capitalized and depreciated over their useful lives, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the Company's accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

The Company will periodically review its hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, management will perform an analysis to determine if

the estimated undiscounted future cash flows, without interest charges, from operations and the proceeds from the ultimate disposition of a hotel property exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount, an adjustment to reduce the carrying amount to the related hotel property's estimated fair market value is recorded and an impairment loss recognized. As of December 31, 2012 and 2011, there were no hotel properties impaired.

The Company will consider a hotel property as held for sale when a binding agreement to purchase the property has been signed under which the buyer has committed a significant amount of nonrefundable cash, no significant financing contingencies exist which could cause the transaction not to be completed in a timely manner and the sale is expected to occur within one year. If these criteria are met, depreciation and amortization of the hotel property will cease and an impairment loss if any will be recognized if the fair value of the hotel property, less the costs to sell, is lower than the carrying amount of the hotel property. The Company will classify the loss, together with the related operating results, as discontinued operations in the consolidated statements of operations and classify the assets and related liabilities as held for sale in the consolidated balance sheets if we no longer have significant continuing involvement. As of December 31, 2012, the Company had no hotel properties held for sale.

Investment in Unconsolidated Real Estate Entities

If it is determined that the Company do not have a controlling interest in a joint venture, either through its financial interest in a VIE or in a voting interest entity, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of its investment in, advances to and commitments for the investee.

Investment in unconsolidated real estate entities are accounted for under the equity method of accounting and the Company records its equity in earnings or losses under the hypothetical liquidation of book value ("HLBV") method of accounting due to the structures and the preferences we receive on the distributions from the joint ventures pursuant to the joint venture agreements. Under this method, the Company recognizes income and loss in each period based on the change in liquidation proceeds we would receive from a hypothetical liquidation of our investment based on depreciated book value. Therefore, income or loss may be allocated disproportionately as compared to the ownership percentages due to specified preferred return rate thresholds and may be more or less than actual cash distributions received and more or less than what the Company may receive in the event of an actual liquidation.

The Company periodically reviews the carrying value of its investment in unconsolidated joint ventures to determine if circumstances indicate impairment to the carrying value of the investment that is other than temporary. When an impairment indicator is present, the Company will estimate the fair value of the investment. The Company's estimate of fair value takes into consideration factors such as expected future operating income, trends and prospects, as well as other factors. This determination requires significant estimates by management, including the expected cash flows to be generated by the assets owned and operated by the joint venture. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount over the fair value of the Company's investment in the unconsolidated joint venture.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short term liquid investments with an original maturity of three months or less. Cash balances in individual banks may exceed federally insurable limits.

Restricted Cash

Restricted cash represents purchase price deposits held in escrow for potential hotel acquisitions under contract and escrows for reserves required pursuant to the Company's loans or hotel management agreements. Included in restricted cash on the accompanying consolidated balance sheet at December 31, 2012 are $2.9 million of renovation, property tax and insurance escrows and at December 31, 2011 are $5.3 million of renovation, property tax and insurance escrows. Certain of the hotel mortgage loan agreements require the Company to fund up to 5% of gross hotel revenues on a monthly basis for furnishings, fixtures and equipment and general repair maintenance reserves ("Replacement Reserve"), property tax and/or insurance reserves into an escrow account held by the lender.

Hotel Receivables

Hotel receivables consist of amounts owed by guests staying at the Company's hotels at year end and amounts due from business and group customers. An allowance for doubtful accounts is provided and maintained at a level believed to be adequate to absorb estimated probable receivable losses. At December 31, 2012 and 2011, respectively, the allowance for doubtful accounts was $28 thousand and $17 thousand.

Deferred Costs

Deferred costs consist of franchise agreement fees for the Company's hotels, loan costs related to the Company's senior secured revolving credit facility and mortgage loans and costs related to the Company's share offering.

Deferred costs consisted of the following at December 31, 2012 and 2011 (in thousands):

	December 31, 2012	December 31, 2011
Loan costs	$ 8,462	$ 7,010
Franchise fees	1,273	1,198
Other	467	116
	10,202	8,324
Less accumulated amortization	(3,890)	(1,974)
Deferred costs, net	$ 6,312	$ 6,350

Franchise fees are recorded at cost and amortized over a straight-line basis over the term of the franchise agreements. Loan costs are recorded at cost and amortized over a straight-line basis, which approximates the effective interest rate method, over the term of the loan. Offering costs of $0.1 million and $0.4 million, classified as "Other" in 2011 and 2012 respectively, will be recorded as a reduction in additional paid-in capital as shares are sold. For the years ended December 31, 2012, 2011 and 2010, amortization expense related to franchise fees of $75 thousand, $62 thousand and $27 thousand , respectively, is included in depreciation and amortization. Amortization expense related to loan costs of $1.8 million, $1.6 million and $0.3 million for the years ended December 31, 2012, 2011 and 2010, respectively, is included in interest expense in the consolidated statements of operations.

Prepaid Expenses and Other Assets

The Company's prepaid expenses and other assets consist of prepaid insurance, prepaid property taxes, deposits and hotel supplies inventory.

Revenue Recognition

Revenue from hotel operations is recognized when rooms are occupied and when services are provided. Revenue consists of amounts derived from hotel operations, including sales from room, meeting room, gift shop,

in-room movie and other ancillary amenities. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenue) in the accompanying consolidated statements of operations.

Share-Based Compensation

The Company measures compensation expense for the restricted share awards based upon the fair market value of its common shares at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period and is included in general and administrative expense in the accompanying consolidated statement of operations. The Company pays dividends on vested and nonvested restricted shares, except for performance based shares, for which dividends on unvested shares are not paid until those shares are vested.

Earnings Per Share

A two class method is used to determine earnings per share. Basic earnings per share ("EPS") is computed by dividing net income (loss) available for common shareholders, adjusted for dividends on unvested share grants, by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) available for common shareholders, adjusted for dividends on unvested share grants, by the weighted average number of common shares outstanding plus potentially dilutive securities such as share grants or shares issuable in the event of conversion of operating partnership units. No adjustment is made for shares that are anti-dilutive during the period. The Company's restricted share awards and long-term incentive plan units are entitled to receive dividends, if declared. The rights to dividends declared are non-forfeitable, and therefore, the unvested restricted shares and long-term incentive plan units qualify as participating securities requiring the allocation of earnings under the two-class method to calculate EPS. The percentage of earnings allocated to the unvested restricted shares is based on the proportion of the weighted average unvested restricted shares outstanding to the total of the basic weighted average common shares outstanding and the weighted average unvested restricted shares outstanding. Basic EPS is then computed by dividing income less earnings allocable to unvested restricted shares by the basic weighted average number of shares outstanding. Diluted EPS is computed similar to basic EPS, except the weighted average number of shares outstanding is increased to include the effect of potentially dilutive securities. Because the Company reported a net loss for the period, no allocation was made to the unvested restricted shares or the long-term incentive plan units.

Income Taxes

The Company is currently subject to corporate federal and state income taxes. Prior to April 21, 2010, the Company had no operating results subject to taxation.

The Company elected to be taxed as a REIT for federal income tax purposes. In order to qualify as a REIT under the Internal Revenue Code of 1986, as amended, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income to its shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax to the extent the Company distributes its REIT taxable income to its shareholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its REIT taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution to shareholders. However, the Company has been organized and operates in such a manner as to qualify for treatment as a REIT.

The Company leases its wholly owned hotels to TRS Lessees, which are wholly owned by the Company's taxable REIT subsidiaries (each, a "TRS") which, in turn are wholly owned by the Operating Partnership.

Additionally, the Company owns its interest in 51 of the 55 JV hotels through the Operating Partnership and owns its interest in the remaining 4 JV hotels through one of its TRSs. Each TRS is subject to federal and state income taxes and the Company accounts for taxes, where applicable, in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification 740 using the asset and liability method which recognizes deferred tax assets and liabilities for future tax consequences arising from differences between financial statement carrying amounts and income tax bases.

As of December 31, 2012, the Company is no longer subject to U.S federal income tax examinations for years before 2010 and with few exceptions to state examinations before 2010. The Company evaluates whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company has reviewed its tax positions for open tax years and has concluded no provisions for income taxes is required in the Company's consolidated financial statements as of December 31, 2012. Interest and penalties related to uncertain tax benefits, if any, in the future will be recognized as operating expense.

Organizational and Offering Costs

The Company expenses organizational costs as incurred. Offering costs, which include selling commissions, are recorded as a reduction in additional paid-in capital in shareholders' equity as shares are sold. Costs related to the Company's potential share offerings are included in deferred costs at December 31, 2012 and December 31, 2011, respectively, and will be recorded as a reduction in additional paid-in capital as shares are sold.

Segment Information

We evaluate all of our hotels as a single industry segment because all of the hotels have similar economic characteristics and provide similar services to similar types of customers. Accordingly, we do not report segment information.

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 created a uniform framework for applying fair value measurement principles for companies around the world and clarified existing guidance in U.S. GAAP. ASU 2011-04 is effective for the first reporting annual period beginning after December 15, 2011. The Company adopted this standard and it did not have any material effect on the consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive income. This update is intended to increase the prominence of other comprehensive income in the financial statements by requiring public companies to present comprehensive income either as a single statement detailing the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income or using a two statement approach including both a statement of income and a statement of comprehensive income. The option to present other comprehensive income in the statement of changes in equity has been eliminated. The amendments in this update are effective for public companies for fiscal years, and interim periods beginning after December 15, 2011. Currently, the Company has no items of other comprehensive income in any periods presented.

3. Acquisition of Hotel Properties

Acquisition of Hotel Properties

On December 27, 2012, the Company acquired the Hampton Inn Portland Downtown, Portland, ME (the "Portland Hotel") for a purchase price of $28.0 million, plus customary pro-rated amounts and closing costs. The Company funded the acquisition with available cash and borrowings under the Company's secured revolving credit facility.

The Company incurred acquisition costs of $0.2 million and $7.7 million, respectively, during the years ended December 31, 2012 and 2011.

Hotel Purchase Price Allocation

The following are the allocations of the purchase price of the acquisitions in 2012 and 2011, based on the fair value on the date of acquisition (in thousands):

	Portland, ME Acquisition
Acquisition date	12/27/12
Land	$ 4,315
Building and improvements	22,664
Furniture, fixtures and equipment	1,021
Cash	1
Accounts receivable, net	9
Prepaid expenses and other assets	8
Accounts payable and accrued expenses	(19)
Net assets acquired	$ 27,999
Net assets acquired, net of cash	$ 27,998

	5 Sisters Acquisition
Acquisition date	07/14/11
Land	$ 35,231
Building and improvements	150,764
Furniture, fixtures and equipment	7,399
Cash	26
Restricted cash	1,460
Accounts receivable, net	144
Deferred costs, net	1,639
Prepaid expenses and other assets	134
Debt	(134,160)
Accounts payable and accrued expenses	(630)
Net assets acquired	$ 62,007
Net assets acquired, net of cash	$ 61,981

The amount of revenue and operating income of the 5 Sisters included in the consolidated income statement for the years ended December 31, 2012 and 2011 are $36.9 million and $17.6 million, respectively, for 2012 and $16.2 million and $7.6 million, respectively, for 2011.

Pro Forma Financial Information (unaudited)

The following condensed unaudited pro forma financial information presents the results of operations as if the hotels acquired in 2010 and 2011 had taken place on January 1, 2010. Since the acquisition of the Portland hotel was not significant, the pro forma numbers presented below do not include the operating results of the Portland hotel prior to the acquisition date. The unaudited pro forma results below exclude acquisition costs of $3.2 million incurred during the year ended December 31, 2011. The pro forma net loss for the year ended December 31, 2010 was adjusted to include these costs. The unaudited pro forma results have been prepared for comparative purposes only and are not necessarily indicative of what actual results of operations would have been had the acquisitions taken place on January 1, 2010, nor do they purport to represent the results of operations for future periods (in thousands, except share and per share data).

	For the years ended December 31,		
	2012	2011	2010
Pro forma total revenue	$ 100,464	$ 91,305	$ 83,122
Pro forma net loss	$ (1,450)	$ (9,290)	$ (9,079)
Pro forma loss per share:			
Basic and diluted	$ (0.10)	$ (0.67)	$ (0.66)
Weighted average Common Shares Outstanding			
Basic and diluted	13,819,939	13,819,939	13,819,939

As a result of the properties being treated as acquired as of January1, 2010, the Company assumed approximately 13,819,939 shares were issued as of January 1, 2010 to fund the acquisition of the properties. Consequently, the weighted average shares outstanding was adjusted to reflect this amount of shares being issued on January 1, 2010 instead of the actual dates on which the shares were issued, and such shares were treated as outstanding as of the beginning of the periods presented.

4. Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts at a level believed to be adequate to absorb estimated losses. That estimate is based on past loss experience, current economic and market conditions and other relevant factors. The allowance for doubtful accounts was $28 thousand and $17 thousand as of December 31, 2012 and 2011 respectively.

5. Investment in Hotel Properties

Investment in hotel properties as of December 31, 2012 and 2011 consisted of the following (in thousands):

	December 31, 2012	December 31, 2011
Land and improvements	$ 63,428	$ 60,064
Building and improvements	360,301	332,399
Furniture, fixtures and equipment	21,381	17,469
Renovations in progress	5,145	3,897
	450,255	413,829
Less accumulated depreciation	(24,181)	(11,014)
Investment in hotel properties, net	$ 426,074	$ 402,815

6. Investment in Unconsolidated Entities

On October 27, 2011, the Company acquired a 10.3% interest in the JV with Cerberus. The JV initially acquired 64 properties for a total purchase price of approximately $1.02 billion, including assumption of approximately $675 million of mortgage debt secured by 45 of the hotels with an interest rate of 6.71% and maturing in 2017. The Company's original investment of $37 million in the JV was funded through borrowings under the Company's secured revolving credit facility. The Company accounts for this investment under the equity method. During the years ended, December 31, 2012 and 2011, the Company received cash distributions from the JV related to the following (in thousands):

	2012	2011
Cash from operations	$ 4,368	—
Cash from asset sales	5,076	—
Cash from financing activities	11,759	—
Total	**$21,203**	**—**

The Company's ownership interest in the JV is subject to change in the event that either the Company or Cerberus calls for additional capital contributions to the JV necessary for the conduct of business, including contributions to fund costs and expenses related to capital expenditures. The Company manages the JV and will receive a promote interest if the JV meets certain return thresholds. Cerberus may also approve certain actions by the JV without the Company's consent, including certain property dispositions conducted at arm's length, certain actions related to the restructuring of the JV and removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the joint venture agreement.

In the Company's 2011 Annual Report on Form 10-K, the Company disclosed the balance sheet and statement of operations of the Innkeepers acquisition based on the preliminary purchase price allocation. Subsequent to the issuance of the Company's 2011 Annual Report on Form 10-K and within the one year measurement period, new information was obtained about facts and circumstances that existed as of the acquisition date. As such, the purchase price allocation of the Innkeepers acquisition was retroactively adjusted to include the effect of this measurement period adjustment. This measurement period adjustment did not have a material impact on the Company's financial statements as of December 31, 2011 and for the year then ended. The retroactively adjusted purchase price allocation and Innkeepers balance sheet and statement of operations as of December 31, 2011 and for the period from October 27, 2011 to December 31, 2011 are included in Part IV Item 15 Section 4 Separate Financial Statements of Subsidiaries Not Consolidated in this Form 10-K.

7. Debt

The Company's mortgage loans and its senior secured revolving credit facility are collateralized by a first-mortgage lien on the underlying properties. The mortgages are non-recourse except for instances of fraud or misapplication of funds. The Company's debt consisted of the following (in thousands):

Collateral	Interest Rate	Maturity Date	12/31/12 Property Carrying Value	Balance Outstanding as of December 31, 2012	Balance Outstanding as of December 31, 2011
Senior Secured Revolving Credit Facility	2.97%	November 5, 2015	$164,819	$ 79,500	$ 67,500
Courtyard by Marriott Altoona, PA	5.96%	April 1, 2016	11,195	6,572	6,753
SpringHill Suites by Marriott Washington, PA	5.84%	April 1, 2015	12,273	5,104	5,260
Residence Inn by Marriott New Rochelle, NY	5.75%	September 1, 2021	20,351	15,450	15,731
Residence Inn by Marriott Garden Grove, CA	5.98%	November 1, 2016	41,437	32,417	32,417
Residence Inn by Marriott San Diego, CA	5.98%	November 1, 2016	49,373	39,557	39,986
Homewood Suites by Hilton San Antonio, TX	6.03%	October 1, 2016	30,745	18,184	18,380
Doubletree Suite by Hilton Washington, DC	6.03%	October 1, 2016	28,002	19,752	19,960
Residence Inn by Marriott Vienna, VA	6.03%	October 1, 2016	34,744	22,710	22,953
			$392,939	$ 239,246	$ 228,940

In May 2011, the Company amended its $85 million senior secured revolving credit facility. The amendment increases the allowable consolidated leverage ratio to 60 percent through 2012, reducing to 55 percent in 2013; and decreased the consolidated fixed charge coverage ratio from 2.3x to 1.7x through March 2012, increasing to 1.75x through December 2012 and 2.0x in 2013. Subject to certain conditions, including lender approval, the credit facility has an accordion feature that provides the Company with the ability to increase the aggregate principal amount of the facility.

The Company further amended is senior secured revolving credit facility on November 5, 2012. Costs associated with this amendment were approximately $1.2 million. The November 2012 amendment extends the maturity date to November 5, 2015 and includes an option to extend the maturity date by an additional year. Certain other terms have been amended as noted below.

	Original Terms	Amended Terms
Facility amount	$85 million	$95 million
Accordion feature	Additional $25 million	Additional $20 million
LIBOR floor	1.25%	None
Interest rate applicable margin	325-425 basis points, based on leverage ratio	200-300 basis points, based on leverage ratio
Unused fee	50 basis points	25 basis points if less than 50% unused, 35 basis points if more than 50% unused
Minimum fixed charge coverage ratio	1.75-2.0x	1.5x

At December 31, 2012 and December 31, 2011, the Company had $79.5 million and $67.5 million, respectively, of outstanding borrowings under its secured revolving credit facility. Ten properties in the

borrowing base secure borrowings under the credit facility at December 31, 2012. At December 31, 2012, the maximum borrowing availability under the revolving credit facility was $95.0 million. On February 5, 2013, we borrowed an additional $34.5 million under our senior secured revolving credit facility. The funds were used for the acquisition of the Courtyard by Marriott Medical Center on February 5, 2013.

The Company estimates the fair value of its fixed rate debt using an income approach valuation method by discounting the future cash flows of each instrument at estimated market rates. 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. Level 3 typically consists of mortgages because of the significance of the collateral value to the value of the loan. The estimated fair value of the Company's fixed rate debt as of December 31, 2012 and December 31, 2011 was $168.2 million and $159.4 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. The Company's only variable rate debt is under its senior secured revolving credit facility. The estimated fair value of the Company's variable rate debt as of December 31, 2012 and December 31, 2011 was $79.5 million and $67.5 million, respectively. At December 31, 2012, the Company's consolidated fixed charge coverage ratio was 2.03.

As of December 31, 2012, the Company was in compliance with all of its financial covenants. Future scheduled principal payments of debt obligations as of December 31, 2012, for each of the next five calendar years and thereafter as follows (in thousands):

	Amount
2013	$ 1,981
2014	2,106
2015	86,286
2016	134,733
2017	378
Thereafter	13,762
	$239,246

8. Income Taxes

The Company's TRSs are subject to federal and state income taxes (TRS 1 and TRS 2, respectively).

The components of income tax expense for the following periods are as follows (in thousands):

	For the Years Ended December 31,		
	2012	2011	2010
Current:			
Federal	$ 55	$ 73	$ 13
State	19	21	4
Current tax expense	$ 74	$ 94	$ 17
Deferred:			
Federal	$ 1	$(21)	—
State	—	(4)	—
Deferred tax expense	$ 1	$(25)	—
Total tax expense	$ 75	$ 69	$ 17

The difference between total income tax expense and the amount computed by applying the statutory federal income tax rate to the combined income of the Company's TRSs before taxes were as follows (in thousands):

	For the Years Ended December 31,		
	2012	2011	2010
Book income (loss) before income taxes	$ 159	$ 143	$ (238)
Statutory rate of 34% applied to pre-tax income	54	48	13
Effect of state and local income taxes, net of federal tax benefit	20	7	4
Other items	1	14	—
Total expense	75	69	17
Effective tax rate	47.17%	48.25%	-7.14%

At December 31, 2012, TRS 1 had a gross deferred tax asset associated with future tax deductions of $0.2 million. TRS 1 has continued to record a full valuation allowance equal to 100% of the gross deferred tax asset due to the uncertainty of realizing the benefit of its deferred assets due to the cumulative taxable losses incurred by TRS 1 since its inception. TRS 2 has a gross deferred tax asset of $0.1 million as of December 31, 2012 and no valuation allowance has been recorded in connection with the gross deferred tax assets of TRS 2 for December 31, 2012 and 21011. Accordingly, the net deferred tax asset of the Company solely relates to the deferred tax assets generated by TRS 2 during the years ended December 31, 2012 and 2011. The tax effect of each type of temporary difference and carry forward that gives rise to the deferred tax asset as of December 31, 2012 and 2011 are as follows (in thousands):

	For the Years Ended December 31,	
	2012	2011
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	$ 5	$ 6
Net operating loss carryforwards	35	—
Other	229	192
Valuation allowance	(245)	(148)
Deferred tax asset current	24	50
Non-current	—	—
Total book/tax difference fixed assets	—	(25)
Net deferred tax asset	$ 24	$ 25

9. Dividends Declared and Paid

Dividend information for 2012 and 2011 is as follows:

2012 Quarter to which distribution relates	Record Date	Payment Date	Common share distribution amount	Ordinary income	Return of capital
First quarter	3/30/2011	4/27/2012	$ 0.175	$0.092	$ 0.083
Second quarter	6/29/2012	7/27/2012	0.200	$0.106	0.094
Third quarter	9/28/2012	10/26/2012	0.200	$0.106	0.094
Fourth quarter	12/31/2012	1/25/2013	0.200	$0.106	0.094
			$ 0.775	$0.410	$ 0.365

2011 Quarter to which distribution relates	Record Date	Payment Date	Common share distribution amount	Ordinary income	Return of capital
First quarter	3/31/2011	4/15/2011	$ 0.175	$ 0.01	$ 0.165
Second quarter	6/30/2011	7/15/2011	0.175	$ 0.01	0.165
Third quarter	9/30/2011	10/14/2011	0.175	$ 0.01	0.165
Fourth quarter	12/30/2011	1/27/2012	0.175	$ 0.01	0.165
			$ 0.700	$ 0.04	$ 0.660

For the years ended December 31, 2012 and 2011, approximately 52.9% and 5.7% of the distributions paid to stockholders were considered taxable income and approximately 47.1% and 94.3% were considered a return of capital for federal income tax purposes, respectively.

10. Shareholders' Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares of beneficial interest ("common shares"), $.01 par value per share. 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 its Board of Trustees.

The Company completed a public offering of 4,600,000 common shares at a $16.00 price per share generating $73.6 million in gross proceeds on February 8, 2011. Net proceeds were approximately $69.4 million after underwriters' discounts and commissions and other offering costs paid to third parties. As of December 31, 2012, 13,908,907 common shares were outstanding.

During the year ended December 31, 2011, the Company withheld 915 common shares of beneficial interest that had vested to an executive in accordance with the Equity Incentive Plan, the shares were withheld at a value of $16.43 per share to meet the minimum statutory tax withholding requirements of the executive which were directly remitted by the Company to the appropriate taxing jurisdiction. The price per share is determined by using the closing price of the common shares the day before they are withheld.

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares, $.01 par value per share. No preferred shares were outstanding at December 31, 2012.

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 of the Company's common shares at the time of redemption or for the Company's 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 December 31, 2012 and 2011, there were no Operating Partnership common units held by unaffiliated third parties. At December 31, 2012 and 2011, an aggregate of 257,775 LTIP Units, a special class of operating partnership units, were held by executive officers. The LTIP Units receive per unit distributions equal to the per share distribution paid on common shares.

11. Earnings Per Share

The two class method is used to determine earnings per share because unvested restricted shares and unvested long-term incentive plan units are considered to be participating shares. The following is a reconciliation of the amounts used in calculating basic and diluted net income (loss) per share (in thousands, except share and per share data):

	For the years ended December 31,		
	2012	2011	2010
Numerator:			
Net loss	$ (1,450)	$ (9,105)	$ (1,217)
Dividends paid on unvested shares	(272)	(41)	—
Net loss attributable to common shareholders	$ (1,722)	$ (9,146)	$ (1,217)
Denominator:			
Weighted average number of common shares - basic	13,811,691	13,280,149	6,377,333
Effect of dilutive securities:			
Unvested shares (1)	—	—	—
Weighted average number of common shares - diluted	13,811,691	13,280,149	6,377,333
Basic Earnings per Common Share:			
Net loss attributable to common shareholders per weighted average common share	$ (0.12)	$ (0.69)	$ (0.20)
Diluted Earnings per Common Share:			
Net loss attributable to common shareholders per weighted average common share	$ (0.12)	$ (0.69)	$ (0.20)

(1) Unvested restricted shares and unvested long-term incentive plan units that could potentially dilute basic earnings per share in the future were not included in the computation of diluted earnings (loss) per share, for the periods where a loss has been recorded, because they would have been anti-dulitive for the periods presented.

12. Equity Incentive Plan

The Company maintains its Equity Incentive Plan to attract and retain independent trustees, executive officers and other key employees and service providers. The plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards. Share awards under this plan generally vest over three to five years, though compensation for the Company's independent trustees includes shares granted that vest immediately. The Company pays dividends on unvested shares and units, except for performance based shares, for which dividends on unvested shares are not paid until those shares are vested. Certain awards may provide for accelerated vesting if there is a change in control. In January 2012 and 2011, the Company issued 27,592 and 12,104 common shares, respectively, to its independent trustees as compensation for services performed in 2011 and 2010. The quantity of shares was calculated based on the average of the closing prices for the Company's common shares on the New York Stock Exchange for the last ten trading days preceding the reporting date. On January 15, 2013, the Company distributed 22,536 common shares to its independent trustees for services performed in 2012. As of December 31, 2012, there were 69,571 common shares available for issuance under the 2010 Equity Incentive Plan.

Restricted Share Awards

On February 23, 2012, the Company granted 114,567 restricted common shares to the Company's executive officers pursuant to the Equity Incentive Plan, consisting of time-based awards of 61,376 shares that will vest over a three-year period and 53,191 shares granted as performance-based equity. The performance-based shares will be issued and vest over a three-year period only if and to the extent that long-term performance criteria established by the Board of Trustees are met and the recipient remains employed by the Company on the vesting date. The Company met its criteria for 2012, therefore, on January 15, 2013; the Company issued 17,731 shares to its executive officers. Included in the 61,376 grant of time-based share awards are 8,184 share grants made to certain employees not subject to employment agreements.

The Company measures compensation expense for time-based vesting restricted share awards based upon the fair market value of its common shares at the date of grant. For the performance-based shares, compensation expense is based on a valuation of $10.20 per performance share granted, which takes into account that some or all of the awards may not vest if long-term performance criteria are not met during the vesting period. Compensation expense is recognized on a straight-line basis over the vesting period and is included in general and administrative expense in the accompanying consolidated statements of operations. The Company pays dividends on nonvested restricted shares. Dividends for performance-based shares are accrued and paid annually only if and to the extent that long-term performance criteria established by the Board are met and the recipient remains employed by the Company.

A summary of the Company's restricted share awards for the years ended December 31, 2012, 2011 and 2010 is as follows:

	2012		2011		2010	
	Number of Shares	Weighted - Average Grant Date Fair Value	Number of Shares	Weighted - Average Grant Date Fair Value	Number of Shares	Weighted - Average Grant Date Fair Value
Nonvested at beginning of the period	51,029	$ 19.04	76,550	$ 19.04	87,000	$ 19.02
Granted	114,567	11.28	—	—	—	—
Vested	(25,519)	19.04	(25,521)	19.04	(7,200)	18.86
Forfeited	—	—	—	—	(3,250)	18.86
Nonvested at end of the period	140,077	$ 12.70	51,029	$ 19.04	76,550	$ 19.04

As of December 31, 2012 and 2011, respectively, there were $1.1 million and $0.7 million of unrecognized compensation costs related to restricted share awards. As of December 31, 2012, these costs were expected to be recognized over a weighted–average period of approximately 1.1 years. For the years ended December 31, 2012, 2011 and 2010, respectively, the Company recognized approximately $0.9 million, $0.5 million and $0.4 million in expense related to the restricted share awards. This expense is included in general and administrative expenses in the accompanying consolidated statement of operations. During 2012 and 2011, 25,519 and 25,521 shares vested, respectively.

Long-Term Incentive Plan Units

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 availability for other equity awards on a one-for-one basis. The Company does not receive a tax deduction for the value of any LTIP Units granted to employees. LTIP Units, whether vested or not, receive the same per unit profit distributions as other outstanding units of the Operating Partnership, which profit distribution will generally equal per share dividends on the Company's common shares. Initially, LTIP Units have a capital account balance of zero, and do not have full parity with common Operating Partnership units with respect to

liquidating distributions. The Operating Partnership will revalue its assets upon the occurrence of certain specified events and any increase in valuation will be allocated first to the holders of LTIP Units to equalize the capital accounts of such holders with the capital accounts of the Operating Partnership unit holders. If such parity is reached, vested LTIP Units may be converted by the holder, at any time, into an equal number of common units of limited partnership interest in the Operating Partnership ("OP Units"), which may be redeemed, at the option of the holder, for cash or at the Company's option an equivalent number of the Company's common shares.

On April 21, 2010, the Company's Operating Partnership granted 246,960 LTIP Units to the Company's executive officers pursuant to the Equity Incentive Plan, all of which are accounted for in accordance with FASB Codification Topic ("ASC") 718, "Stock Compensation". On September 9, 2010, the Company's Operating Partnership granted 26,250 LTIP units to the Company's then new Chief Financial Officer and 15,435 LTIP units granted to the Company's former Chief Financial Officer were forfeited. These LTIP Units vest ratably over a five-year period beginning on the date of grant.

The LTIP Units' fair value was determined by using a discounted value 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 OP Units and thus have an economic value of zero to the grantee. Additional factors considered in reaching the assumptions of uncertainty included discounts for illiquidity; expectations for future dividends; limited or no operating history as of the date of the grant; significant dependency on the efforts and services of our executive officers and other key members of management to implement the Company's business plan; available acquisition opportunities; and economic environment and conditions. The Company used an expected stabilized dividend yield of 5.0% and a risk free interest rate of 2.33% based on a five-year U.S. Treasury yield.

The Company recorded $0.8 million, $0.8 million and $0.5 million in compensation expense related to the LTIP Units for the years ended December 31, 2012, 2011 and 2010, respectively. As of December 31, 2012, there was $1.8 million of total unrecognized compensation cost related to LTIP Units. This cost is expected to be recognized over 2.3 years, which represents the weighted average remaining vesting period of the LTIP Units. As of December 31, 2012, none of the LTIP Units had reached parity.

13. Commitments and Contingencies

Litigation

The nature of the operations of the hotels exposes the hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. The Company is not presently subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company or its properties.

Hotel Ground Rent

The Altoona hotel is subject to a ground lease with an expiration date of April 30, 2029 with an extension option of up to 12 additional terms of five years each. Monthly payments are determined by the quarterly average room occupancy of the hotel. Rent is equal to approximately $7,000 per month when monthly occupancy is less than 85% and can increase up to approximately $20,000 per month if occupancy is 100%, with minimum rent increased on an annual basis by two and one-half percent (2.5%).

At the New Rochelle Residence Inn, there are 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 fund for the cost of capital repairs.

Future minimum rental payments under the terms of all non-cancellable operating ground leases under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due.

The following is a schedule of the minimum future obligation payments required under the ground, air rights and garage leases as of December 31, 2012, for each of the next five calendar years and thereafter (in thousands):

	Amount
2013	$ 205
2014	207
2015	210
2016	212
2017	214
Thereafter	11,445
Total	$12,493

Management Agreements

The management agreements with Concord, the manager of the Altoona, Pennsylvania Courtyard and the Washington, Pennsylvania SpringHill Suites, provide for base management fees equal to 4% of the managed hotel's gross room revenue. The initial ten-year term of each management agreement expires on February 28, 2017 and will renew automatically for successive one-year terms unless terminated by the TRS lessee or the manager by written notice to the other party no later than 90 days prior to the then current term's expiration date. The management agreements may be terminated for cause, including the failure of the managed hotel operating performance to meet specified levels. If the Company were to terminate the management agreements during the first nine years of the term other than for breach or default by the manager, the Company would be responsible for paying termination fees to the manager.

The Company assumed the existing hotel management agreements in place at six of its hotels — the Boston-Billerica Homewood Suites, Minneapolis-Bloomington Homewood Suites, Nashville-Brentwood Homewood Suites, Dallas Homewood Suites, Hartford-Farmington Homewood Suites and Orlando-Maitland Homewood Suites — all of which were managed by Promus Hotels, Inc., a subsidiary of Hilton Hotels Worldwide ("Hilton"). Each of these management agreements was terminated and new management agreements were entered into with IHM, which is 90% owned by Mr. Fisher during 2012.

All of the remaining hotels are managed by IHM, which is 90% owned by Mr. Fisher. The management agreements with IHM have an initial term of five years and may be renewed for two five-year periods at IHM's option by written notice to us no later than 90 days prior to the then current term's expiration date. 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. Management agreements with IHM provide for a base management fee of 3% of the managed hotel's gross revenues for the Hampton Inn Houston, TX, Residence Inn Holtsville, NY, Residence Inn White Plains, NY, Residence Inn New Rochelle, NY, Homewood Suites Carlsbad, CA and Hampton Inn Portland, ME and a 2.5% of the managed hotel's gross revenues for the Residence Inn Garden Grove, CA, Residence Inn San Diego, CA, Homewood Suites San Antonio, TX, Doubletree Suites Washington, DC and Residence Inn Tysons Corner, VA and 2% for the six hotels transitioned to IHM from Hilton. Management agreements with IHM also provide for accounting fees of $1,000 per month per hotel, revenue management fees up to $550 per month and, if certain financial thresholds are met or exceeded, an incentive management fee equal to 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. Incentive management fees paid by the Company to IHM for the years ended December 31, 2012, 2011 and 2010, respectively, were $16 thousand, $0 thousand and $0 thousand.

Management fees are recorded within hotel other operating expenses on the consolidated statements of operations and totaled approximately $2.6 million and $2.0 million, respectively, for the years ended December 31, 2012 and 2011, respectively.

Franchise Agreements

One of the Company's TRS Lessees has entered into hotel franchise agreements with Promus Hotels, Inc., a subsidiary of Hilton, for eight Homewood Suites by Hilton® hotels. Each of the hotel franchise agreements has an initial term ranging from 15-18 years. These Hilton hotel franchise agreements provide for a franchise royalty fee up to 6% of the hotel's gross room revenue and a program fee equal to 4% of the hotel's gross room revenue. The Hilton franchise agreements provide that the franchisor may terminate the franchise agreement in the event that the applicable franchisee fails to cure an event of default, or in certain circumstances such as the franchisee's bankruptcy or insolvency, are terminable by Hilton at will.

One of the Company's TRS Lessees has entered into franchise agreements with Marriott International, Inc., ("Marriott"), relating to our Residence Inn properties in Holtsville, New York, New Rochelle, New York, White Plains, New York, Garden Grove, CA, San Diego, CA and Vienna, VA, its Courtyard property in Altoona, Pennsylvania and our SpringHill Suites property in Washington, Pennsylvania. These franchise agreements have initial terms ranging from 15 to 20 years and will expire between 2025 and 2031. None of the agreements have a renewal option. The Marriott franchise agreements provide for franchise fees ranging from 5.0% to 5.5% of the hotel's gross room sales and marketing fees ranging from 2.0% to 2.5% of the hotel's gross room sales. The Marriott franchise agreements are terminable by Marriott in the event that the applicable franchisee fails to cure an event of default or, in certain circumstances such as the franchisee's bankruptcy or insolvency, are terminable by Marriott at will. The Marriott franchise agreements provide that, in the event of a proposed transfer of the hotel, its TRS Lessee's interest in the agreement or more than a specified amount of the TRS Lessee to a competitor of Marriott, Marriott has the right to purchase or lease the hotel under terms consistent with those contained in the respective offer and may terminate if our TRS Lessee elects to proceed with such a transfer.

One of the Company's TRS Lessees has entered into franchise agreements with Hampton Inns Franchise LLC, ("Hampton Inns"), relating to the Hampton Inn & Suites® Houston-Medical Center and Hampton Inn® Portland Downtown The franchise agreement for the Houston-Medical Center hotel has an initial term of approximately 10 years and expires on July 31, 2020. The franchise agreement for the Portland hotel has an initial term of approximately 20 years and expires on February 29, 2032.The Hampton Inns franchise agreement provides for a monthly program fee equal to 4% of the hotel's gross rooms revenue and a monthly royalty fees ranging from 5% to 6% of the hotel's gross rooms revenue. None of the agreements have a renewal option. Hampton Inns may terminate the franchise agreement in the event that the franchisee fails to cure an event of default or, in certain circumstances such as the franchisee's bankruptcy or insolvency, Hampton Inns may terminate the agreement at will.

One of the Company's TRS lessees has entered into a franchise agreement with Doubletree Franchise LLC ("Doubletree"), relating to the Doubletree Guest Suites by Hilton in Washington, DC. The new hotel franchise agreement has an initial term of 10 years and will expire on July 31, 2021. The franchise agreement is non-renewable. The Doubletree hotel franchise agreement provides for a franchise royalty fee equal to 5% of the hotel's gross room revenue and a program fee equal to 4% of the hotel's gross room revenue. The Doubletree franchise agreement generally has no termination rights unless the franchisee fails to cure an event of default in accordance with the franchise agreements. The Doubletree franchise agreement was terminated on January 31, 2013 and is expected to be re-branded as a Residence Inn by Marriott in May 2013.

Franchise fees are recorded within hotel other operating expenses on the consolidated statements of operations and totaled approximately $7.5 million and $5.6 million, respectively, for the years ended December 31, 2012 and 2011, respectively.

14. Related Party Transactions

Mr. Fisher owns 90% of IHM. The Company has hotel management agreements with IHM to manage 17 of its hotels as of December 31, 2012. During 2012, the Company terminated the management agreements of six hotels previously operated by Hilton and entered into new management agreements with IHM under generally the same fee structure as the Hilton agreements and terms consistent with the other IHM agreements. Of the 55 hotels owned by the JV, 54 are managed by IHM. Management and accounting fees paid by the Company to IHM for the years ended December 31, 2012 and 2011 were $2.3 million and $1.3 million, respectively. At December 31, 2012 and December 31, 2011, the amounts due to IHM were $0.4 and $0.3 million, respectively.

Cost reimbursements from unconsolidated real estate entities revenue represents reimbursements of costs incurred on behalf of the JV. These costs relate primarily to payroll costs at the JV where the Company is the employer. 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 from the JV are recorded based upon the occurrence of a reimbursed activity.

Mr. Fisher entered into a participation agreement with Cerberus by which Mr. Fisher acquired a less than 1% non-voting interest in the Cerberus percentage ownership of the JV.

15. Quarterly Operating Results (unaudited)

	Quarter Ended - 2012			
	March 31	June 30	September 30	December 31
	(in thousands, except per share data)			
Total revenue	$ 22,827	$ 26,359	$ 27,002	$ 16,850
Total operating expenses	20,180	21,943	21,774	21,917
Operating income	2,647	4,416	5,228	2,359
Net income (loss) attributable to common shareholders	(1,731)	1,157	1,498	(2,374)
Income (loss) per common share, basic and diluted (1)	(0.13)	0.08	0.10	(0.18)
Weighted average number of common shares outstanding:				
Basic	13,794,986	13,810,190	13,819,371	13,822,021
Diluted	13,794,986	13,908,907	13,908,907	13,908,907

	Quarter Ended- 2011			
	March 31	June 30	September 30	December 31
	(in thousands, except per share data)			
Total revenue	$ 12,487	$ 14,902	$ 23,578	$ 22,129
Total operating expenses	11,737	16,190	21,390	23,650
Operating income (loss)	750	(1,288)	2,188	(1,521)
Net loss attributable to common shareholders	(19)	(1,936)	(955)	(6,195)
Loss per common share, basic and diluted (1)	0.00	(0.14)	(0.07)	(0.45)
Weighted average number of common shares outstanding:				
Basic	11,800,771	13,757,449	13,766,297	13,768,910
Diluted	11,800,771	13,757,449	13,766,297	13,768,910

(1) The sum of per share amounts for the four quarters may differ from the annual per share amounts due to the required method of computing weighted-average number of common shares outstanding in the respective periods.

16. Subsequent Events

On January 10, 2013, the Hampton Inn – Portland, Maine hotel was added to the secured revolving credit facility borrowing base.

On January 14, 2013, the Company completed a follow-on common share offering that resulted in the sale of 3,500,000 common shares at $14.70 per share, generating gross proceeds of $51.5 million. Net proceeds, after underwriters' discounts and commissions and other offering costs, were approximately $49.1 million. The funds were used to pay down $47.5 million of debt on its secured revolving credit facility.

On January 18, 2013, the Company refinanced the mortgage loans for the Residence Inn Tysons Corner and the Homewood Suites San Antonio hotel. The Residence Inn Tysons Corner loan amount is $24.2 million at an interest rate of 4.49%. The Homewood Suites San Antonio hotel loan amount is $17.7 million at an interest rate of 4.59%. Both loans have a 10 year term and a 30 year amortization payment schedule. There were no prepayment penalties incurred with these transactions. Costs to complete these transactions were $0.3 million.

On January 31, 2013, the Company paid off the mortgage loan for the Doubletree Suites Washington, DC for approximately $19.7 million. There was no prepayment penalty or significant costs incurred with this transaction.

On January 31, 2013, the underwriters' option to purchase additional shares associated with the January 14, 2013 offering were exercised for 92,677 shares at $14.70 per common share, generating gross proceeds of $1.4 million. Net proceeds, after underwriters' discounts and commissions and other offering costs, were approximately $1.3 million.

On February 1, 2013, the Company refinanced the mortgage loan for the Residence Inn Mission Valley in San Diego, CA. The loan amount is $30.9 million at an interest rate of 4.66%. The loan has a 10 year term and a 30 year amortization payment schedule. There was no prepayment penalty or significant costs incurred with this transaction.

On February 5, 2013, the Company acquired the Courtyard by Marriott Houston Medical Center hotel for approximately $34.8 million, plus customary pro-rated amounts and closing costs. The purchase was paid from available cash and an additional borrowing under the secured revolving credit facility on February 5, 2013. The hotel will be managed by IHM.

CHATHAM LODGING TRUST
SCHEDULE III — REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2012
(in thousands)

Description	Year of Acquisition	Encumbrances	Initial Cost		Cost Cap. Sub. To Acq. Land	Cost Cap. Sub. To Acq. Bldg & Improvements	Gross Amount at End of Year						
			Land Improvements	Buildings & Improvements			Land	Buildings & Improvements	Total	Bldg & Improvements	Accumulated Depreciation	Year of Original Construction	Depreciation Life
Homewood Suites Orlando — Maitland, FL	2010	(1)	$ 1,800	$ 7,200	$ 34	$ 1,061	$ 1,834	$ 8,261	$ 10,095	$ 8,261	$ 568	2000	40 Years
Homewood Suites Boston — Billerica, MA	2010	(1)	1,470	10,555	36	907	1,506	11,462	12,968	11,462	851	1999	40 Years
Homewood Suites Minneapolis—Mall of America, Bloomington,	2010	(1)	3,500	13,960	19	888	3,519	14,848	18,367	14,848	1,080	1998	40 Years
Homewood Suites Nashville — Brentwood, TN	2010	(1)	1,525	9,300	12	721	1,537	10,021	11,558	10,021	737	1998	40 Years
Homewood Suites Dallas — Market Center, Dallas, TX	2010	(1)	2,500	7,583	17	887	2,517	8,470	10,987	8,470	648	1998	40 Years
Homewood Suites Hartford — Farmington, CT	2010	(1)	1,325	9,375	92	885	1,417	10,260	11,677	10,260	766	1999	40 Years
Hampton Inn & Suites Houston — Houston, TX	2010	(1)	3,200	12,709	—	548	3,200	13,257	16,457	13,257	828	1997	40 Years
Residence Inn Holtsville — Holtsville, NY	2010	(1)	2,200	18,765	—	724	2,200	19,489	21,689	19,489	1,187	2004	40 Years
Courtyard Altoona — Altoona, PA	2010	6,572	—	10,730	—	840	—	11,570	11,570	11,570	689	2001	40 Years
SpringHill Suites Washington — Washington, PA	2010	5,104	1,000	10,692	—	697	1,000	11,389	12,389	11,389	680	2000	40 Years
Residence Inn White Plains — White Plains, NY	2010	(1)	2,200	17,677	—	1,095	2,200	18,772	20,972	18,772	1,043	1982	40 Years
Residence Inn New Rochelle — New Rochelle, NY	2010	15,450	—	20,281	—	886	—	21,167	21,167	21,167	1,257	2000	40 Years
Homewood Suites Carlsbad — Carlsbad, CA	2010	(1)	3,900	27,520	—	82	3,900	27,602	31,502	27,602	1,491	2008	40 Years
Residence Inn Garden Grove — Garden Grove, CA	2011	32,417	7,109	35,484	—	61	7,109	35,545	42,654	35,545	1,307	2003	40 Years
Residence Inn Mission Valley — San Diego, CA	2011	39,557	9,652	39,535	—	85	9,652	39,620	49,272	39,620	1,459	2003	40 Years
Homewood Suites San Antonio — San Antonio, TX	2011	18,184	5,905	24,764	2	72	5,907	24,836	30,743	24,836	917	1996	40 Years
Doubletree Suites Washington DC — Washington, DC	2011	19,752	5,981	22,063	—	58	5,981	22,121	28,102	22,121	817	1974	40 Years
Residence Inn Tyson's Corner — Vienna, VA	2011	22,710	5,634	28,917	—	30	5,634	28,947	34,581	28,947	1,065	2001	40 Years
Hampton Inn Portland Downtown — Portland, ME	2012	—	4,315	22,664	—	—	4,315	22,664	26,979	22,664	8	2011	40 Years
Grand Total(s)			**$ 63,216**	**$ 349,774**	**$ 212**	**$ 10,527**	**$63,428**	**$ 360,301**	**$423,729**	**$360,301**	**$17,398**		

(1) This property is pledged as collateral to borrowings made under the revolving credit facility obtained on October 12, 2010, which had outstanding borrowings of $79,500 as of December 31, 2012.

Notes:

(a) The change in total cost of real estate assets for the year ended is as follows:

	2012	2011	2010
Balance at the beginning of the year	$392,463	$200,974	$ —
Acquisitions	26,979	185,995	200,967
Dispositions during the year	(951)	—	—
Capital expenditures and transfers from construction-in-progress	5,238	5,494	7
Investment in Real Estate	$423,729	$392,463	$200,974

(b) The change in accumulated depreciation and amortization of real estate assets for the year ended is as follows:

Balance at the beginning of the year	$ 8,394	$ 1,901	$ —
Depreciation and amortization	9,004	6,493	1,901
Balance at the end of the year	$ 17,398	$ 8,394	$ 1,901

(c) The aggregate cost of properties for federal income tax purposes (in thousands) is approximately $426,074 as of December 31, 2012.

Exhibit 10.14

EXECUTION COPY

$95,000,000
AMENDED AND RESTATED CREDIT AGREEMENT

among

CHATHAM LODGING TRUST,
as the REIT,

CHATHAM LODGING, L.P.,
as Borrower,

The Several Lenders
from Time to Time Parties Hereto,

BARCLAYS BANK PLC
and
REGIONS CAPITAL MARKETS,
as Joint Lead Arrangers,

REGIONS BANK,
as Syndication Agent,

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK
UBS SECURITIES LLC,
and
U.S. BANK NATIONAL ASSOCIATION,
as Co-Documentation Agents,

and

BARCLAYS BANK PLC,
as Administrative Agent

Dated as of November 5, 2012

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ANNEX:

SCHEDULES:

EXHIBITS:

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of November 5, 2012, among CHATHAM LODGING TRUST, a Maryland real estate investment trust (the "REIT"), CHATHAM LODGING, L.P., a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), BARCLAYS BANK PLC, the investment banking division of Barclays Bank PLC, and REGIONS CAPITAL MARKETS, as joint lead arrangers and bookrunners (in such capacity, the "Arrangers"), REGIONS BANK, as syndication agent (in such capacity, the "Syndication Agent"), CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK, UBS SECURITIES LLC and U.S. BANK NATIONAL ASSOCIATION, as co-documentation agents (in such capacity, the "Co-Documentation Agents"), and BARCLAYS BANK PLC, as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the REIT and the Borrower are parties to the Credit Agreement, dated as of October 12, 2010 (as amended by the First Amendment, dated as of November 16, 2010, the Second Amendment, dated as of April 20, 2011, and as further amended, supplemented or otherwise modified prior to the date hereof, the "Existing Credit Agreement"), among the REIT, the Borrower, the several banks and other financial institutions or entities parties thereto (the "Existing Lenders"), Barclays Bank PLC, as administrative agent, and others;

WHEREAS, the Borrower has requested that the Lenders agree to amend and restate the Existing Credit Agreement as more particularly set forth herein;

WHEREAS, the Lenders have agreed to amend and restate the Existing Credit Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree that on the Effective Date, as provided in Section 10.18, the Existing Credit Agreement shall be amended and restated in its entirety as follows:

SECTION 1 DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Acceptable Environmental Report": with respect to any Real Property, an ASTM compliant Environmental Site Assessment that is either (a) a Phase I Environmental Site Assessment with respect to such Real Property stating, among other things, that such Real Property is free from Hazardous Substances in violation of applicable Requirements of Law (other than commercially reasonable amounts) or (b) a Phase II Environmental Site Assessment with respect to such Real Property for which it has been suggested remediation work be performed on such Real Property and, in each case, in form and substance acceptable to the Administrative Agent and including information regarding whether (i) such Real Property

contains or is within or near any area designated as a hazardous waste site by any Governmental Authority, (ii) such Real Property contains or has contained any Hazardous Substance under any Requirements of Law pertaining to health or the environment, (iii) such Real Property or any use or activity thereon violates or would reasonably be likely to be subject to any response, remediation, clean-up, or other obligation under any Requirements of Law pertaining to health or the environment including a written report of an environmental assessment of such Real Property or an update of such report, made within six months prior to the date of the request for inclusion in the Borrowing Base (or such earlier date as may be acceptable to the Administrative Agent), by an engineering firm, and of a scope and in form and content satisfactory to the Administrative Agent, complying with the Administrative Agent's established guidelines, regarding evidence of any Hazardous Substance which has been generated, treated, stored, released, or disposed of on such Real Property in violation of Environmental Laws, and such additional information as may be required by the Administrative Agent, and (iv) any circumstances described in clauses (i), (ii), or (iii) are being remediated or cleaned up or will be remediated or cleaned up and information relating to any financial arrangements relating thereto including insurance policies, escrows, or bond arrangements.

"Acceptable Lease": a ground lease or air rights lease with respect to a Borrowing Base Property executed by a Loan Party, as lessee, that satisfies each of the conditions set forth below, other than any such condition waived by the Supermajority Lenders in their discretion:

(a) such lease is in full force and effect;

(b) such lease has a remaining lease term of at least 30 years (excluding extension or renewal rights)**,** calculated as of the date such Borrowing Base Property is admitted into the Borrowing Base;

(c) (i) no default has occurred and is continuing and no terminating event has occurred under such lease by any Loan Party thereunder, (ii) no event has occurred which but for the passage of time, or notice, or both would constitute a default or terminating event under such lease and (iii) to the Borrower's and each other Loan Party's knowledge, there is no default or terminating event under such lease by any lessor thereunder, in each case, which event, default or terminating event has caused or otherwise resulted in or could reasonably be expected to cause or otherwise result in any material interference with the applicable Loan Party's occupancy under such lease or adversely affect the Administrative Agent's rights under the related Mortgage;

(d) such lease requires (or the lessor thereunder agrees in writing for the benefit of the Administrative Agent) that the lessor thereunder shall give the Administrative Agent (i) a copy of each notice of default or event of default under such lease at the same time as it gives notice of default to the applicable Loan Party, and no such notice of default or event of default shall be deemed effective unless and until a copy thereof shall have been so given to the Administrative Agent and (ii) notice if such lease is terminated by reason of an event of default under such lease;

(e) the Administrative Agent is permitted the opportunity to cure any default by any Loan Party under such lease before any applicable lessor thereunder may terminate such lease;

(f) all rents, additional rents, and other sums due and payable under such lease have been paid in full;

(g) no Loan Party nor the lessor under such lease has commenced any action or given or received any notice for the purpose of terminating such lease;

(h) such lease or a memorandum thereof has been duly recorded and there have not been any amendments or modifications to the terms of such lease since recordation of the lease (or a memoranda thereof), that would cause such lease to fail to satisfy any other clause of this definition;

(i) such lease permits the interest of the applicable Loan Party to be encumbered by the Security Documents or the necessary approval has been obtained in writing from the lessor to permit such encumbrance;

(j) no Loan Party's interest in such lease is subject to any Liens or encumbrances superior to, or of equal priority with, the related Mortgage other than the applicable lessor's related fee interest and the Liens set forth in Sections 7.3(a), 7.3(b) and 7.3(f), and as otherwise set forth in the applicable title insurance policy;

(k) each Loan Party's interest in such lease is assignable to the Administrative Agent or its designee upon notice to, but without the consent of, the applicable lessor thereunder (or, if any such consent is required, then such consent has been obtained in writing prior to the date hereof);

(l) the Administrative Agent will be recognized by the applicable lessor as a permitted mortgagee of such ground lease or air rights lease, as applicable; and

(m) such lease requires the applicable lessor (or the applicable lessor thereunder otherwise agrees in writing for the benefit of the Administrative Agent), to enter into a new lease with the Administrative Agent or its designee upon termination of such lease for any reason, including rejection or disaffirmation of such lease in a bankruptcy proceeding.

"Acquisition": as to any Person, the acquisition by such Person of (a) Capital Stock (other than the Capital Stock of the Unconsolidated Joint Ventures) of any other Person if, after giving effect to the acquisition of such Capital Stock, such other Person would be a Subsidiary, and (b) any other Property (other than Construction in Process) of any other Person.

"Additional Borrowing Base Properties": any property acquired after the Effective Date by the Borrower and its Subsidiaries and approved by the Supermajority Lenders in accordance with Section 5.3, as to which the Administrative Agent for the benefit of the Secured Parties shall be granted a Lien pursuant to one or more Mortgages subject to, with respect to the Material Mortgage Recording Tax Mortgaged Properties, Section 6.18.

"Adjusted Funds From Operations": for the REIT for any period, as reported for such period in the "Adjusted Funds From Operations" reconciliation section of the REIT's quarterly financial statements, the sum of (a) net income or loss (calculated in accordance with GAAP), excluding gains or losses from sales of real estate, impairment write-downs, items classified by GAAP as extraordinary, the cumulative effect of changes in accounting principles, plus (b) depreciation and amortization (excluding amortization of deferred financing costs), plus (c) other non-recurring expenses and acquisition closing costs that reduce such consolidated net income which do not represent a recurring cash item in such period or any future period, in each case, after adjustments for unconsolidated partnerships and joint ventures provided that there shall not be included in such calculation (i) any proceeds of any insurance policy other than rental or business interruption insurance received by such person, (ii) any gain or loss which is classified as "extraordinary" in accordance with GAAP, (iii) any capital gains and losses and taxes related to capital gains and losses, (iv) income (or loss) associated with third-party ownership of non-controlling equity interests, and (v) gains or losses on the sale of discontinued operations as detailed in the most-recent financial statements delivered, as applicable.

"Administrative Agent": as defined in the preamble hereto.

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise; provided that, the right to designate a member of a board or manager of a Person will not, by itself, be deemed to constitute "control".

"Agents": the collective reference to the Syndication Agent, the Co-Documentation Agents and the Administrative Agent.

"Agreement": this Amended and Restated Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Applicable Margin": for each Type of Loan, the rate per annum determined pursuant to the pricing grid below:

Consolidated Leverage Ratio	Applicable Margin for Eurodollar Loans	Applicable Margin for Base Rate Loans
£ 0.35 to 1.00	2.00%	1.00%
> 0.35 to 1.00 and £ 0.40 to 1.00	2.25%	1.25%
> 0.40 to 1.00 and £ 0.50 to 1.00	2.50%	1.50%
> 0.50 to 1.00 and £ 0.55 to 1.00	2.75%	1.75%
> 0.55 to 1.00	3.00%	2.00%

Changes in the Applicable Margin resulting from changes in the Consolidated Leverage Ratio shall become effective on the date on which financial statements are delivered to the Lenders pursuant to Section 6.1 (but in any event not later than the 45th day after the end of each of the first three quarterly periods of each fiscal year or the 90th day after the end of each fiscal year, as the case may be) and shall remain in effect until the next change to be effected pursuant to this paragraph. If any financial statements referred to above are not delivered within the time periods specified above, then, until such financial statements are delivered, the Consolidated Leverage Ratio as at the end of the fiscal period that would have been covered thereby shall for the purposes of this definition be deemed to be greater than 0.55 to 1.00. In addition, at all times while an Event of Default shall have occurred and be continuing, the Consolidated Leverage Ratio shall for the purposes of this pricing grid be deemed to be greater than 0.55 to 1.00. Each determination of the Consolidated Leverage Ratio pursuant to this pricing grid shall be made for the periods and in the manner contemplated by Section 7.1(a).

"Application": an application, in such form as the relevant Issuing Lender may specify from time to time, requesting such Issuing Lender to issue a Letter of Credit.

"Appraisal": with respect to any Real Property, an MAI "Full Appraisal Report" prepared in accordance with FIRREA and USPAP, undertaken by an Appraiser, and providing an assessment of the value of such Real Property, subject to any Franchise Agreement, Management Agreement, lease or any other agreement in place, which shall be commissioned by, and in form and substance reasonably satisfactory to, the Administrative Agent at the sole expense of the Borrower; provided that, such Appraisal such include all furniture, fixtures and equipment associated with such Real Property owned by the Group Members.

"Appraiser": HVS, CB Richard Ellis or such other independent appraisal firm selected by the Administrative Agent.

"Arrangers": as defined in the preamble hereto.

"Assignee": as defined in Section 10.6(c).

"Assignor": as defined in Section 10.6(c).

"ASTM": the American Society for Testing & Materials.

"Available Revolving Credit Commitment": with respect to any Revolving Credit Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Credit Commitment then in effect over (b) such Lender's Revolving Extensions of Credit then outstanding; provided that, in calculating any Lender's Revolving Extensions of Credit for the purpose of determining such Lender's Available Revolving Credit Commitment pursuant to Section 2.7(a), the aggregate principal amount of Swing Line Loans then outstanding shall be deemed to be zero.

"Average Daily Rate": for any Real Property on any date of determination, total rooms revenue for the twelve full calendar months most recently ended prior to such date, as determined in accordance with the Uniform System of Accounts, divided by the total number of rooms occupied during such period.

"Award": any compensation paid by any Governmental Authority in connection with a Condemnation in respect of all or any part of any Borrowing Base Property.

"Bankruptcy Code": Title 11 of the United States Code, 11 U.S.C. § 101, et seq., as the same may be amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditors' rights or any other Federal or state bankruptcy or insolvency law.

"Bank Secrecy Act": the Bank Secrecy Act, 31 CFR 103, as amended from time to time.

"Base Rate": for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) 1.0% per annum plus the Eurodollar Rate (for avoidance of doubt after giving effect to the proviso of the definition thereof) applicable to an Interest Period of one month. For purposes hereof: "Prime Rate" shall mean the prime lending rate as set forth on the Reuters Screen RTRTSY1 (or such other comparable publicly available page as may, in the reasonable opinion of the Administrative Agent after notice to the Borrower, replace such page for the purpose of displaying such rate if such rate no longer appears on the Reuters Screen RTRTSY1), as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually available. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the one-month Eurodollar Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate, the Federal Funds Effective Rate or the one-month Eurodollar Rate, respectively.

"Base Rate Loans": Loans for which the applicable rate of interest is based upon the Base Rate.

"Benefited Lender": as defined in Section 10.7.

"Blocked Account Control Agreements": as defined in Section 5.1(u).

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrower Common Units": the Borrower's "Common Units" as defined in the Borrower LP Agreement.

"Borrower LP Agreement": the Agreement of Limited Partnership of Chatham Lodging, L.P., a Delaware limited partnership, dated as of April 21, 2010, as amended, restated, supplemented or otherwise modified from time to time in accordance with this Agreement.

"Borrower LTIP Units": the Borrower's "LTIP Units" outstanding on the date hereof and as defined in the Borrower LP Agreement as in effect on the date hereof.

"Borrowing Base": at any time, the aggregate Borrowing Base Values for the Borrowing Base Properties, which shall be determined based on the most recent Borrowing Base Certificate delivered pursuant to Section 5.2(c), 5.3 or 5.4 or Section 6.12; provided that, the Borrowing Base shall be reduced by the following amounts, without duplication:

(a) an amount equal to the aggregate Borrowing Base Value for the Restricted Borrowing Base Properties in excess of 10% of the aggregate Borrowing Base Value for all the Borrowing Base Properties;

(b) with respect to any non-Restricted Borrowing Base Property, an amount equal to the Borrowing Base Value for such Borrowing Base Property in excess of 25% of the aggregate Borrowing Base Value for all the Borrowing Base Properties;

(c) an amount equal to the aggregate Non-Recorded Borrowing Base Value for the Material Mortgage Recording Tax Mortgaged Properties in excess of 20% of the aggregate Borrowing Base Value for all the Borrowing Base Properties;

(d) an amount equal to the aggregate Borrowing Base Value for the Borrowing Base Properties subject to Acceptable Leases in excess of 20% of the aggregate Borrowing Base Value for all the Borrowing Base Properties; and

(e) the Borrowing Base Value of any Borrowing Base Property (including any Initial Borrowing Base Property) that ceases to be an Eligible Borrowing Base Property until the Borrower has satisfied the conditions set forth in Section 5.3 with respect to such Real Property.

"Borrowing Base Certificate": a certificate, appropriately completed and substantially in the form of Exhibit K (with such modifications as to format and presentation as may be reasonably requested by the Administrative Agent upon five Business Days' notice) together with all supporting documentation reasonably requested by the Administrative Agent.

"Borrowing Base Group Member": any Subsidiary of the REIT that is (a) the fee owner or ground or air rights lessee of a Borrowing Base Property, (b) the lessee of a Borrowing Base Property pursuant to an Operating Lease or (c) any direct or indirect parent of any Person described in clause (a) or (b).

"Borrowing Base Properties": subject to a release of a Borrowing Base Property pursuant to Section 5.4, (a) on the Effective Date, the Initial Borrowing Base Properties and (b) after the Effective Date, the Initial Borrowing Base Properties, together with any Additional Borrowing Base Properties added to the Borrowing Base in accordance with Section 5.3.

"Borrowing Base Value": with respect to each Borrowing Base Property at any time, the lesser of (i) 55% of the MAI "as-is" appraised value of such Borrowing Base Property set forth in the most recent Appraisal for such Borrowing Base Property and (ii) the Debt Service Coverage Amount for such Borrowing Base Property as at such time; provided that, the Borrowing Base Value for any Restricted Borrowing Base Property shall be determined pursuant to clause (i).

"Borrowing Base Value Mortgage Deficit": on any date of determination, with respect to any Borrowing Base Property located in a Material Mortgage Recording Tax State for which a Mortgage has been recorded, an amount equal to (a) the Borrowing Base Value for such Property on such date minus (b) the amount of Obligations secured by such Mortgage for which the applicable mortgage recording tax has been paid, as determined by the Administrative Agent in its sole discretion. For the avoidance of doubt at no time shall the Borrowing Base Value Mortgage Deficit be less than zero.

"Borrowing Date": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"Borrowing Notice": with respect to any request for borrowing of Loans hereunder, a notice from the Borrower, substantially in the form of, and containing the information prescribed by, Exhibit H, delivered to the Administrative Agent.

"Business Day": (a) for all purposes other than as covered by clause (b) below, a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (a) and which is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

"Capital Expenditures": for any period, with respect to any Person, the aggregate of all expenditures by such Person for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized under the Uniform System of Accounts and reconciled in accordance with GAAP on a balance sheet of such Person; provided that, "Capital Expenditures" shall not include (x) expenditures made in connection with the replacement, substitution or restoration of assets (i) to the extent financed from insurance proceeds paid on account of the loss of or damage to the assets being replaced or restored or (ii) with awards of compensation arising from the taking or the threat of taking by eminent domain or Condemnation of the assets being replaced, (y) the purchase price of equipment that is purchased simultaneously with the trade-in of existing equipment but only to the extent that the gross amount of such purchase price is reduced by the credit granted by the seller of such equipment for the equipment being traded in at such time or (z) the purchase of plant, property and equipment made within 270 days of the sale of any asset to the extent purchased with the proceeds of such sale.

"Capital Lease Obligations": with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under the Uniform System of Accounts and reconciled in accordance with GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Capitalization Rate": 8.25%.

"Cash Collateralize": to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Lender or the Swing Line Lender, as applicable, and the Secured Parties, as collateral for the L/C Obligations, Swing Line Loans or obligations of the Lenders to fund participations in respect thereof (as the context may require), cash or deposit account balances or, if the Issuing Lender or Swing Line Lender, as applicable, benefiting from such collateral shall agree in its sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to (a) the Administrative Agent and (b) the Issuing Lender or the Swing Line Lender, as applicable. The term "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of one year or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of not less than $500,000,000; (c) commercial paper of an issuer rated at least A-2 by S&P or P-2 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within one year from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; and (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"Casualty": with respect to any Borrowing Base Property, that such Borrowing Base Property is damaged or destroyed, in whole or in part, by fire or other casualty.

"Change in Law": the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control": the occurrence of any of the following events: (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding the Permitted Investors, shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 25% of the outstanding common stock of the REIT; (b) the board of directors of the REIT shall cease to consist of a majority of Continuing Directors; (c) the Borrower shall cease to own, directly or indirectly, 100% of the equity interests of any Subsidiary Guarantor free and clear of any Liens (other than Liens in favor of Administrative Agent) unless the Borrowing Base Property owned by such Subsidiary Guarantor is removed from the Borrowing Base in accordance with Section 5.4 of this Agreement; or (d) the REIT shall (i) fail to be sole general partner of the Borrower or cease to own all the general partnership interests of the Borrower, (ii) fail to control the management and policies of the Borrower or (iii) fail to own a majority of the Capital Stock of the Borrower.

"Chatham Predecessor": the real estate activity and holdings of the entities that owned the following properties acquired by the REIT and its Subsidiaries: Homewood Boston Billerica, Homewood Minneapolis Mall of America, Homewood Nashville Brentwood, Homewood Dallas Market Center, Homewood Farmington Connecticut, Homewood Orlando Maitland and Hampton Inn & Suites Houston Medical Center.

"Closing Date": October 12, 2010.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all Property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Collateral Agreement": the Amended and Restated Collateral Agreement, dated as of November 5, 2012, between each Subsidiary of the REIT that is a lessee party to an Operating Lease, each Subsidiary of the REIT that is a lessor party to such Operating Lease, and Chatham Houston HAS LLC, as collateral agent for the benefit of such lessor parties, as amended, restated, supplemented or otherwise modified from time to time.

"Comfort Letter": with respect to any Franchisor for any Borrowing Base Property, a customary comfort letter from such Franchisor to the Administrative Agent, for the benefit of the Secured Parties, in form and substance reasonably satisfactory to the Administrative Agent, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Commitment Fee Rate": on any date of determination, a rate equal to (a) 0.35% per annum, if the Available Revolving Credit Commitments on such date is greater than or equal to 50% of the Total Revolving Credit Commitments, and (b) 0.25% per annum, if the Available Revolving Credit Commitments on such date is less than 50% of the Total Revolving Credit Commitments.

"Commitment Increase Supplement": as defined in Section 2.23(c).

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Sections 412 or 430 of the Code, Section 414(b), (c), (m) or (o) of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer, substantially in the form of Exhibit B.

"Condemnation": a temporary or permanent taking by any Governmental Authority as the result, in lieu or in anticipation, of the exercise of the right of condemnation or eminent domain, of all or any part of any Property, or any interest therein or right accruing thereto, including any right of access thereto or any change of grade affecting such Property or any part thereof.

"Consolidated EBITDA": of the Group Members for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense of such Group Members, amortization or write-off of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness, (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary, unusual or non-recurring expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business), (f) any other non-cash charges and (g) the Group Members' pro rata share of Consolidated EBITDA from their Unconsolidated Joint Ventures, minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income (except to the extent deducted in determining such Consolidated Net Income), (b) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business), (c) any other non-cash income and (d) any cash payments made during such period in respect of items described in clause (e) above subsequent to the fiscal quarter in which the relevant non-cash expenses or losses were reflected as a charge in the statement of Consolidated Net Income, all as determined on a consolidated basis.

"Consolidated Fixed Charge Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA of the Borrower and its Subsidiaries for such period to (b) Consolidated Fixed Charges for such period.

"Consolidated Fixed Charges": for any period, the sum (without duplication) of (a) Consolidated Interest Expense of the Group Members for such period, (b) provision for cash income taxes made by the Group Members on a consolidated basis in respect of such period, (c) scheduled payments (other than balloon payments) made during such period on account of principal of Indebtedness of the Group Members, (d) all preferred dividends accrued or paid during such period and (e) the Group Members' pro rata share of all expenses, taxes, payments and dividends referred to in the preceding clauses (a) to (d) from their Unconsolidated Joint Ventures.

"Consolidated Floating Rate Debt": Consolidated Total Debt bearing interest based on an index that floats, or otherwise changes from time to time (excluding the Loans and any other such Indebtedness subject to a fixed rate interest rate hedge, cap or collar).

"Consolidated Interest Expense": of the Group Members for any period, total interest expense (including that attributable to Capital Lease Obligations) of the Group Members for such period with respect to all outstanding Indebtedness of the Group Members (including, without limitation, all commissions, discounts and other fees and charges owed by the Group Members with respect to letters of credit and bankers' acceptance financing and net costs of the Group Members under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP).

"Consolidated Leverage Ratio": on any date of determination, the ratio of (a) Consolidated Total Debt on such date to (b) Total Asset Value on such date; provided that for purposes of calculating Total Asset Value on any date, the Total Asset Value of any Person Disposed of by the Borrower or its Subsidiaries during such period shall be excluded for such period (assuming the consummation of such Disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period).

"Consolidated Net Income": of the Group Members for any period, the consolidated net income (or loss) of the Group Members for such period, determined on a consolidated basis; provided that, in calculating Consolidated Net Income of the Group Members for any period, there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Group Member or is merged into or consolidated with a Group Member, (b) the income (or deficit) of any Person in which any Group Member has an ownership interest, except to the extent that any such income is actually received by such Group Member in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of any Group Member to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

"Consolidated Total Debt": at any date, an amount equal to (i) the aggregate outstanding face amount of all Indebtedness of the Group Members at such date, determined on a consolidated basis in accordance with GAAP and (ii) the Group Members' pro rata share of Indebtedness of their Unconsolidated Joint Ventures at such date.

"Construction in Process": any Real Property owned by a Group Member consisting of renovation or expansion of such Real Property in which greater than 35% of the aggregate rooms of such Real Property is unavailable for occupancy due to renovation or expansion. A Real Property will cease being classified as "Construction in Process" upon completion of such renovation or expansion.

"Continuing Directors": the directors of the REIT on the Closing Date, after giving effect to the transactions contemplated hereby, and each other director of the REIT, if, in each case, such other director's nomination for election to the board of directors of the REIT is recommended by at least 66 2/3% of the then Continuing Directors or such other director receives the vote of the Permitted Investors in his or her election by the shareholders of the REIT.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Control Investment Affiliate": as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Debtor Relief Laws": the Bankruptcy Code and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or otherwise available debtor relief laws of the United States, of any State or of any other applicable jurisdictions from time to time in effect.

"Debt Service": with respect to any Borrowing Base Property during any period, scheduled principal and interest payments due with respect to any Indebtedness incurred in connection with such Borrowing Base Property.

"Debt Service Coverage Amount": with respect to any Borrowing Base Property on any date of determination, (a) the Net Operating Income of such Borrowing Base Property for the period of four fiscal quarters most recently ended for which financial statements are available divided by 1.50, divided by (b) the greater of (x) an interest rate of 7.0% per annum (assuming a 25-year amortization) and (y) the 10-year treasury rate on the last day of such period plus 3.5% (assuming a 25-year amortization).

"Default": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Defaulted Amount": as defined in Section 2.16(g).

"Defaulting Lender": subject to Section 2.24(b), any Lender that:

(a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Lender, the Swing Line Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swing Line Loans) within two Business Days of the date when due,

(b) has notified the Borrower, the Administrative Agent or any Issuing Lender or the Swing Line Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied),

(c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or

(d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that, a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.24(b)) upon delivery of written notice of such determination to the Borrower, any Issuing Lender, the Swing Line Lender and each Lender.

"Derivatives Counterparty": as defined in Section 7.6.

"Disclosable Event": as defined in Section 6.19.

"Disposition": with respect to any Property, any sale, lease (other than an Operating Lease), sale and leaseback, assignment, conveyance, transfer or other disposition thereof; and the terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollars" and "$": dollars in lawful currency of the United States of America.

"Domestic Subsidiary": any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States of America.

"Effective Date": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied, which date shall be no later than November 5, 2012.

"Eligible Account": a separate and identifiable account from all other funds held by the holding institution that is either (a) an account or accounts maintained with a federal or state chartered depository institution or trust company which complies with the definition of Eligible Institution or (b) a segregated trust account or accounts maintained with a federal or state chartered depository institution or trust company acting in its fiduciary capacity which, in the case of a state chartered depository institution or trust company, is subject to regulations substantially similar to 12 C.F.R. § 9.10(b), having in either case a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal and state authority. An Eligible Account will not be evidenced by a certificate of deposit, passbook or other instrument.

"Eligible Borrowing Base Property": any Real Property that satisfies each of the following conditions at all times:

(a) such Real Property is a hotel property located in the continental United States,

(b) such Real Property is wholly-owned by the Borrower or a Subsidiary Guarantor in fee simple or subject to a ground lease or air rights lease pursuant to an Acceptable Lease,

(c) such Real Property has an average Occupancy Rate greater than 60%,

(d) such Real Property has RevPAR greater than $60,

(e) such Real Property (other than, prior to the Mortgage Recordation Trigger Date, any Material Mortgage Recording Tax Mortgaged Property) is subject to a duly perfected, first priority Lien in favor of the Administrative Agent for the benefit of the Secured Parties pursuant to a Mortgage,

(f) with respect to any Material Mortgage Recording Tax Mortgaged Property or any Borrowing Base Property located in a Material Mortgage Recording Tax State which has a Borrowing Base Value Mortgage Deficit greater than zero, the Administrative Agent shall have received (for delivery to the Escrow Agent to be held pursuant to the Escrow Agreement), a Material Mortgage Recording Tax State Mortgage,

(g) the Group Member owner of such Real Property is a Loan Party and the Capital Stock of each direct and indirect parent of such Group Member (other than the Borrower) is subject to a duly perfected, first priority security interest in favor of the Administrative Agent for the benefit of the Secured Parties, in each case, in compliance with Section 6.9,

(h) the Administrative Agent has received for such Real Property, in each case, in form and substance reasonably satisfactory to the Administrative Agent:

(i) evidence as to whether the applicable Real Property is a Flood Hazard Property satisfying the requirements of Section 5.1(q),

(ii) certificates of insurance or insurance policies satisfying the requirements of Section 6.5, with all premiums fully paid current,

(iii) a title insurance policy satisfying the requirements of Section 5.1(q),

(iv) a recent survey satisfying the requirements of Section 5.1(q),

(v) a true, correct and complete copies of the Management Agreement and Franchise Agreement for such Real Property,

(vi) a Comfort Letter from the Franchisor for such Real Property,

(vii) a true, correct and complete copy of the PIP Plan for such Real Property,

(viii) an Operating Lease and any other agreement relating to such Operating Lease, including without limitation, an owner agreement, if any, for such Real Property,

(ix) if such Real Property is held pursuant to an Acceptable Lease: (A) true, correct, complete and complete copies of such Acceptable Lease and any guarantees thereof and (B) to the extent required by the Administrative Agent in its discretion, (x) recognition agreements and estoppel certificates executed by any lessor under such Acceptable Lease, and (y) with respect to any air rights lease, any recorded reciprocal easement agreement which secures the access and supports easements necessary to support such lease, each in form and content satisfactory to the Administrative Agent,

(x) copies of all Hotel Licenses for such Real Property and, to the extent requested by the Administrative Agent, an assignment of such Hotel Licenses, and

(xi) documentation, certificates and opinions for such Real Property, including without limitation, a Subordination Agreement and a Blocked Account Control Agreement for each deposit and securities account for such Real Property,

(i) with respect to any Material Mortgage Recording Tax Mortgaged Property prior to the Mortgage Recordation Trigger Date, the Administrative Agent has received an amendment to the Escrow Agreement (or, in the case of the initial Material Mortgage Recording Tax Mortgaged Property after the Effective Date, the Escrow Agreement), in form and substance reasonably satisfactory to the Administrative Agent including the Mortgage for such Real Property in escrow subject to release pursuant to Section 6.18, and

(j) such Real Property satisfies any other criteria required by the Administrative Agent, as reasonably determined by the Administrative Agent.

"Eligible Institution": the Administrative Agent, the Syndication Agent, Morgan Stanley, Wells Fargo Bank, N.A., City National Bank, KeyBank National Association or a depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which are rated at least "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch in the case of accounts in which funds are held for 30 days or less (or, in the case of accounts in which funds are held for more than 30 days, the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's).

"Environmental Claim": any investigative, enforcement, cleanup, removal, containment, remedial, or other private or governmental or regulatory action threatened, instituted, or completed pursuant to any applicable Environmental Law against any Group Member or against or with respect to any Real Property or facility.

"Environmental Laws": any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, agreements or other legally enforceable requirements (including, without limitation, common law) of any international authority, foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, or employee health and safety, as has been, is now, or may at any time hereafter be, in effect.

"Environmental Permits": any and all permits, licenses, approvals, registrations, notifications, exemptions and other authorizations required under any Environmental Law.

"Environmental Requirement": as defined in Section 6.8(g).

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Escrow Agent": Chicago Title Insurance Company, or any successor or assign satisfactory to the Administrative Agent in its sole discretion.

"Escrow Agreement": an escrow agreement, executed and delivered by the Escrow Agent and a duly authorized officer of each Loan Party party thereto, in form and substance reasonably satisfactory to the Administrative Agent, pursuant to which the Escrow Agent agrees to hold in escrow the Material Mortgage Recording Tax State Mortgages, if any, and to record such Mortgages upon instruction from the Administrative Agent after the occurrence of the Mortgage Recordation Trigger Date.

"Eurocurrency Reserve Requirements": for any day, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": with respect to each day during each Interest Period, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Reuters Screen LIBOR01 Page (or such other page as may replace such page on such service for the purpose of displaying the rates at which Dollar deposits are offered by lending banks in London interbank deposit market) as of 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Reuters Screen LIBOR01 Page (or such other page as may replace such page on such service for the purpose of displaying the rates at which Dollar deposits are offered by lending banks in London interbank deposit market) (or otherwise on such screen), the "Eurodollar Base Rate" for purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent.

"Eurodollar Loans": Loans for which the applicable rate of interest is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Eurodollar Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in Section 8, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Exchange Act": as defined in the definition of "Change of Control".

"Excluded Foreign Subsidiary": any Foreign Subsidiary in respect of which either (a) the pledge of all of the Capital Stock or assets of such Subsidiary as Collateral or (b) the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

"Excluded Pledged Subsidiary": any (i) direct or indirect parent of a Non-Recourse Subsidiary Borrower that is prohibited from having its Capital Stock pledged pursuant to Indebtedness incurred by such Non-Recourse Subsidiary Borrower pursuant to Section 7.2(d), (g), (h) or (i); provided that, the Administrative Agent shall have provided satisfactory evidence of such prohibition and (ii) direct or indirect Subsidiary of a TRS Subsidiary. Schedule 1.1E sets forth each Excluded Pledged Subsidiary as of the Effective Date.

"Excluded Subsidiary": any (i) TRS Subsidiary or (ii) Subsidiary that is unable to guarantee the Obligations of the Loan Parties under the Loan Documents because it is a party to one or more agreements entered into in connection with Indebtedness listed on Schedule 7.2(d), or incurred pursuant to Section 7.2(g), (h) or (i) that prohibit such Subsidiary from providing a guarantee; provided that, the Administrative Agent shall have been provided satisfactory evidence of such prohibition. Schedule 1.1B sets forth each Excluded Subsidiary as of the Effective Date.

"Existing Mortgages": the collective reference to each existing mortgage and deed of trust, assignment of leases and rents, fixture filings and security agreements made by any Loan Party in favor of, or for the benefit of, the Administrative Agent for the benefit of the Secured Parties prior to the Effective Date pursuant to the Existing Credit Agreement, in each case, as amended prior to the date hereof, in respect of the Borrowing Base Properties.

"FATCA": Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

"FCPA": the Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78dd-1, et seq., as amended from time to time.

"Federal Funds Effective Rate": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"FIRREA": Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), as amended from time to time.

"Fitch": Fitch, Inc. and its successors.

"Flood Hazard Property": as defined in Section 4.21.

"Foreign Subsidiary": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Franchise Agreement": with respect to the Borrowing Base Properties, each of the Franchise Agreements listed on Schedule 1.1C, and each Franchise Agreement delivered pursuant to Section 5.3, or, if the context requires in any case, a Replacement Franchise Agreement executed in accordance with the terms and provisions of this Agreement, as each may be amended, restated, supplemented or otherwise modified from time to time.

"Franchisor": (a) with respect to any Initial Borrowing Base Property, Hampton or a Qualified Franchisor, (b) with respect to any Initial Borrowing Base Property (other than Hampton Inn & Suites Houston Medical Center), Homewood Suites Franchise or a Qualified Franchisor, and (c) with respect to any Additional Borrowing Base Property, a Qualified Franchisor.

"Fronting Exposure": at any time there is a Defaulting Lender, (a) with respect to any Issuing Lender, such Defaulting Lender's Revolving Credit Percentage of the outstanding L/C Obligations with respect to Letters of Credit issued by such Issuing Lender other than L/C Obligations as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to any Swing Line Lender, such Defaulting Lender's Revolving Credit Percentage of outstanding Swing Line Loans made by such Swing Line Lender other than Swing Line Loans as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders.

"Full Replacement Cost": as defined in Section 6.5(c).

"Fund": any Person (other than a natural person) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funding Office": the office specified from time to time by the Administrative Agent as its funding office by notice to the Borrower and the Lenders.

"Funds from Operations": for any Person for any period, the sum of (a) Consolidated Net Income for such period plus (b) depreciation and amortization expense determined in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP; provided that there shall not be included in such calculation (i) any proceeds of any insurance policy other than rental or business interruption insurance received by such Person, (ii) any gain or loss which is classified as "extraordinary" in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP, or (iii) any capital gains and taxes on capital gains.

"GAAP": generally accepted accounting principles in the United States of America as in effect from time to time, as adopted by the Financial Accounting Standards Board and the SEC.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Granting Lender": as defined in Section 10.6(g).

"Gross Income from Operations": with respect to any Borrowing Base Property for any period, without duplication, all income and proceeds (whether in cash or on credit, and computed on an accrual basis) received by the Loan Parties or Manager for the use, occupancy or enjoyment of such Borrowing Base Property, or any part thereof, or received by the Loan Parties or Manager for the sale of any goods, services or other items sold on or provided from the such Borrowing Base Property in the ordinary course of such Borrowing Base Property's operation, during such period including without limitation: (a) all income and proceeds received from any Lease, Operating Lease and rental of rooms, exhibit, sales, commercial, meeting, conference or banquet space within such Borrowing Base Property, including net parking revenue, and net income from vending machines, health club fees and service charges; (b) all income and proceeds received from food and beverage operations and from catering services conducted from such Borrowing Base Property even though rendered outside of such Borrowing Base Property; (c) all income and proceeds from business interruption, rental interruption and use and occupancy insurance with respect to the operation of such Borrowing Base Property (after deducting therefrom all necessary costs and expenses incurred in the adjustment or collection thereof); (d) all Awards for temporary use (after deducting therefrom all costs incurred in the adjustment or collection thereof and in Restoration of such Borrowing Base Property); (e) all income and proceeds from judgments, settlements and other resolutions of disputes with respect to matters which would be includable in this definition of "Gross Income from Operations" if received in the ordinary course of such Borrowing Base Property's operation (after deducting therefrom all necessary costs and expenses incurred in the adjustment or collection thereof); and (f) interest on credit accounts, rent concessions or credits, and other required pass-throughs; but excluding, (i) gross receipts received by lessees, licensees or concessionaires of such Borrowing Base Property; (ii) consideration received at such Borrowing Base Property for hotel accommodations, goods and services to be provided at other hotels, although arranged by, for or on behalf of the Loan Parties or Manager; (iii) income and proceeds from the sale or other disposition of goods, capital assets and other items not in the ordinary course of such Borrowing Base Property's operation; (iv) federal, state and municipal excise, sales and use taxes collected directly from patrons or guests of such Borrowing Base Property as a part of or based on the sales price of any goods, services or other items, such as gross receipts, room, admission, cabaret or equivalent taxes; (v) Awards (except to the extent provided in clause (d) above); (vi) refunds of amounts not included in Operating Expenses at any time and uncollectible accounts; (vii) gratuities collected by employees at such Borrowing Base Property; (viii) the proceeds of any financing; (ix) other income or proceeds resulting other than from the use or occupancy of such Borrowing Base Property, or any part thereof, or other than from the sale of goods, services or other items sold on or provided from such Borrowing Base Property in the ordinary course of business; and (x) any credits or refunds made to customers, guests or patrons in the form of allowances or adjustments to previously recorded revenues.

"Group Members": the REIT and all of its Subsidiaries, including, without limitation, the Borrower.

"Guarantee and Collateral Agreement": the Amended and Restated Guarantee and Collateral Agreement to be executed and delivered by the REIT, the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (a) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (A) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (B) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantors": the collective reference to the REIT and the Subsidiary Guarantors.

"Hazardous Substances": any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables, explosives, mold, mycotoxins, microbial matter and airborne pathogens (naturally occurring or otherwise), but excluding substances of kinds and in amounts ordinarily and customarily used or stored in similar properties for the purpose of cleaning or other maintenance or operations and otherwise in compliance with all Environmental Laws.

"Hampton": Hampton Inns Franchise LLC, a Delaware limited liability company.

"Hampton Inn & Suites Houston Medical Center": that certain 120 room hotel property located in Houston, Texas.

"Hedge Agreements": all interest rate or currency swaps, caps or collar agreements, foreign exchange agreements, commodity or currency futures contracts, options to purchase or sell a commodity or currency, or option, warrant or other right with respect to a commodity or currency futures contract or similar arrangements entered into by the Group Members providing for protection against fluctuations in interest rates, currency exchange rates, commodity prices or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Homewood Boston Billerica": that certain 147 room hotel property located in Billerica, Massachusetts.

"Homewood Dallas Market Center": that certain 137 room hotel property located in Dallas, Texas.

"Homewood Farmington Connecticut": that certain 121 room hotel property located in Farmington, Connecticut.

"Homewood Minneapolis Mall of America": that certain 144 room hotel property located in Bloomington, Minnesota.

"Homewood Nashville Brentwood": that certain 121 room hotel property located in Brentwood, Tennessee.

"Homewood Orlando Maitland": that certain 143 room hotel property located in Maitland, Florida.

"Homewood Suites Carlsbad": that certain 145 room hotel property located in Carlsbad, California.

"Homewood Suites Franchise": Homewood Suites Franchise LLC, a Delaware limited liability company.

"Homewood Suites Management": Homewood Suites Management LLC, a Delaware limited liability company.

"Hotel Employees": as defined in Section 4.12.

"Hotel Licenses": as defined in Section 4.3(b).

"Improvements": any Loan Party's interest in and to all on site and off site improvements to the Borrowing Base Properties, together with all fixtures, Tenant improvements, and appurtenances now or later to be located on the Borrowing Base Properties or in such improvements.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property (excluding any obligations under a contract to purchase Property that has not been consummated) or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit, surety bond or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of others of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, but limited to the lesser of the fair market value of such property and the aggregate amount of the obligations so secured, and (j) for the purposes of Section 8.1(e) only, all net obligations of such Person in respect of Hedge Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor. For purposes of clause (j) above, the principal amount of Indebtedness in respect of Hedge Agreements shall equal the net amount that would be payable (giving effect to netting) at such time if such Hedge Agreement were terminated.

"Indemnified Liabilities": as defined in Section 10.5.

"Indemnitee": as defined in Section 10.5.

"Initial Borrowing Base Properties": each of Homewood Boston Billerica, Homewood Minneapolis Mall of America, Homewood Nashville Brentwood, Homewood Dallas Market Center, Homewood Farmington Connecticut, Homewood Suites Carlsbad, Residence Inn Holtsville, Residence Inn White Plains, Homewood Orlando Maitland and Hampton Inn & Suites Houston Medical Center, as to which the Administrative Agent for the benefit of the Secured Parties shall be granted a Lien pursuant to one or more Mortgages.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Insurance Premiums": as defined in Section 6.5(j).

"Insurance Proceeds": the proceeds of any insurance to which any Group Member may be entitled to, whether or not actually received, with respect to any Borrowing Base Property.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any Base Rate Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or shorter, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Loan (other than any Revolving Credit Loan that is a Base Rate Loan and any Swing Line Loan), the date of any repayment or prepayment made in respect thereof.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not later than 11:00 A.M. (New York City time) on the date that is three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date or such due date, as applicable; and

(c) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period.

"Investments": as defined in Section 7.7.

"Island Hospitality Management": Island Hospitality Management III, Inc., a Florida corporation.

"Issuing Lender": (a) Barclays Bank PLC or (b) any other Revolving Credit Lender from time to time designated by the Borrower as an Issuing Lender with the consent of such Revolving Credit Lender and the Administrative Agent.

"Joint Venture": any joint venture entity, whether a company, unincorporated firm, association, partnership or any other entity which, in each case, in which the REIT and its Subsidiaries has a direct or indirect equity or similar interest and which is not a Wholly Owned Subsidiary of the Borrower.

"L/C Commitment": $10,000,000.

"L/C Exposure": for any Lender, at any time, its Revolving Credit Percentage of the total L/C Obligations at such time.

"L/C Fee Payment Date": the last day of each March, June, September and December and the last day of the Revolving Credit Commitment Period.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

"L/C Participants": with respect to any Letter of Credit, the collective reference to all the Revolving Credit Lenders other than the Issuing Lender that issued such Letter of Credit.

"Lease": excluding any Operating Lease or Acceptable Lease, each existing or future lease, sublease (to the extent of any Loan Party's rights thereunder), license, or other agreement under the terms of which any Person has or acquires any right to occupy or use any Real Property of any Loan Party, or any part thereof, or interest therein, and (a) every modification, amendment or other agreement relating to such lease, sublease, subsublease or other agreement and (b) each existing or future guaranty of payment or performance thereunder.

"Leaseco Security Documents": the collective reference to the Collateral Agreement and all other security documents granting a Lien on any Property of any lessee under any Operating Lease to secure the obligations and liabilities of such Person under such Operating Lease, as each may be amended, restated, supplemented or otherwise modified from time to time.

"Lender Payment Amount": as defined in Section 2.16(g).

"Lenders": as defined in the preamble hereto.

"Lessee": Chatham Leaseco I, LLC, a Delaware limited liability company, Chatham Houston HAS Leaseco LLC, a Delaware limited liability company, and any other Loan Party approved by the Administrative Agent in its sole discretion, as applicable.

"Letters of Credit": as defined in Section 3.1(a).

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Loan": any loan made by any Lender pursuant to this Agreement.

"Loan Documents": this Agreement, the Security Documents, the Applications and the Notes.

"Loan Parties": the REIT, the Borrower and each Subsidiary of the Borrower that is a party to a Loan Document. For the avoidance of doubt, a Group Member shall not be a Loan Party solely because it is a beneficiary to an Application.

"Lockbox Account": with respect to any Borrowing Base Property, an Eligible Account held by the Subsidiary of the REIT that is a lessee party to the relevant Operating Lease in trust for the benefit of the Subsidiary of the REIT that is a lessor party to such Operating Lease and established for deposit of all Rents and other receipts from such Borrowing Base Property which Eligible Account shall be subject to a Blocked Account Control Agreement pursuant to Section 6.13(b); provided that, all interests of such Subsidiary that is a lessor party to such Operating Lease in such Blocked Account Control Agreement, together with the related Lockbox Account, shall be assigned to the Administrative Agent, for the benefit of the Secured Parties, pursuant to the Guarantee and Collateral Agreement.

"Management Agreement": with respect to each Borrowing Base Property, unless such Borrowing Base Property is managed by the Loan Party which owns such Borrowing Base Property, the management agreement entered into by and between the Loan Party which owns or leases such Borrowing Base Property and the Manager, pursuant to which the Manager is to provide management and other services with respect to the Borrowing Base Properties, or, if the context requires, a Qualified Manager who is managing the Borrowing Base Properties in accordance with the terms and provisions of this Agreement pursuant to a Replacement Management Agreement, as each may be amended, restated, supplemented or otherwise modified from time to time. Schedule 1.1D sets forth each Management Agreement as of the Effective Date.

"Manager": (a) with respect to any Initial Borrowing Base Property, Homewood Suites Management, Island Hospitality Management or a Qualified Manager, (b) with respect to any Initial Borrowing Base Property (other than Hampton Inn and Suites Houston Medical Center), Homewood Suites Management or a Qualified Manager, and (c) with respect to any Additional Borrower Base Property, a Qualified Manager.

"Material Adverse Effect": (a) a material adverse effect on the business, assets, operations or financial condition or prospects of the Loan Parties, taken as a whole, or in the facts and information regarding such entities as represented to date; (b) a Material Property Event with respect to the Borrowing Base Properties, taken as a whole; (c) a material impairment of the ability of the Loan Parties, taken as a whole, to perform their obligations under the Loan Documents; or (d) a material adverse effect on the legality, validity, binding effect or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Agents or the Lenders hereunder or thereunder.

"Material Environmental Amount": an amount or amounts payable by any of the Group Members or in respect to any Real Property in the aggregate in excess of $5,000,000, for: costs to comply with any Environmental Law; costs of any investigation, and any remediation, of any Material of Environmental Concern; and compensatory damages (including, without limitation damages to natural resources), punitive damages, fines, and penalties pursuant to any Environmental Law.

"Material Mortgage Recording Tax Mortgaged Property": until the Mortgage Recordation Trigger Date, collectively, the Borrowing Base Properties located in the Material Mortgage Recording Tax States that the Borrower has requested the Administrative Agent to hold in escrow all fully executed Mortgages in connection with such Borrowing Base Properties by the Escrow Agent pursuant to the Escrow Agreement.

"Material Mortgage Recording Tax State Mortgage": each Mortgage (a) for each of the Material Mortgage Recording Tax Mortgaged Properties in an amount to cover the Borrowing Base Value for such Property and (b) for any Borrowing Base Property located in a Material Mortgage Recording Tax State which has a Borrowing Base Value Mortgage Deficit greater than zero, a Mortgage and related documents reasonably requested by the Administrative Agent, in an amount to cover such Borrowing Base Value Mortgage Deficit for such Property.

"Material Mortgage Recording Tax State": any of Florida, New York and any other state that has a material mortgage recording tax, as determined by the Supermajority Lenders.

"Material Property Event": with respect to any Borrowing Base Property, the occurrence of any event or circumstance occurring or arising after the date of this Agreement that could reasonably be expected to have a (a) material adverse effect with respect to the financial condition or the operations of such Borrowing Base Property, (b) material adverse effect on the appraised value of such Borrowing Base Property, (c) material adverse effect on the ownership of such Borrowing Base Property, or (d) result in a Material Environmental Amount.

"Material Recording Tax Reserve Amount": prior to the Mortgage Recordation Trigger Date on any date of determination, the amount estimated by the Administrative Agent in its sole discretion necessary to pay recording taxes, the cost of annual title bring downs and Title Insurance Policies, and other recording costs and expenses (including the fees and expenses of counsel) for all Material Mortgage Recording Tax Mortgaged Properties on such date, which amount may be drawn by the Administrative Agent to pay such expenses pursuant to Section 6.18.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products (virgin or used), polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, radioactivity, and any other materials, substances or forces of any kind, whether or not any such material, substance or force is defined as hazardous or toxic under any Environmental Law, that is regulated pursuant to or could reasonably be expected to give rise to liability under any Environmental Law.

"Maximum Facility Availability": at any date, an amount equal to (a) the lesser of (i) the Total Revolving Credit Commitments on such date and (ii) the Borrowing Base on such date minus (b) the Material Recording Tax Reserve Amount, as such amount may be adjusted by the Administrative Agent pursuant to Section 2.2(b), on such date.

"Money Laundering Control Act": the Money Laundering Control Act of 1986, as amended from time to time.

"Moody's": Moody's Investors Service, Inc. and its successors.

"Mortgage Amendment": each of the amendments to, or the amendment and restatements of, any Existing Mortgage executed and delivered by any Loan Party, as the Administrative Agent shall reasonably determine is necessary to maintain the priority of the first mortgage Lien encumbering the relevant Borrowing Base Property.

"Mortgage Financing": Indebtedness of the type permitted by Section 7.2(h).

"Mortgage Notes Receivable": any mortgage notes receivable, including interest payments thereunder, issued in favor of any Group Member or any Joint Venture in which a Group Member is a member by any Person (other than a Group Member).

"Mortgage Recordation Trigger Date": the last day of the fiscal quarter of the Borrower during which either of the following first occurs: (i) the Consolidated Leverage Ratio as of the last day of any fiscal quarter of the Borrower exceeds the percentage set forth below opposite such fiscal quarter or (ii) the Consolidated Fixed Charge Coverage Ratio for the immediately preceding four consecutive fiscal quarters ending with any fiscal quarter set forth below is less than the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter Ending	Consolidated Leverage Ratio	Consolidated Fixed Charge Coverage Ratio
September 30, 2012 to December 31, 2014	55%	1.70 to 1.00
March 31, 2015 and thereafter	50%	1.70 to 1.00

"Mortgages": each of the Existing Mortgages (as modified by the related Mortgage Amendment) and mortgage/deed of trust/deed to secure debt, assignment of leases and rents, fixture filing and security agreements made by any Loan Party in favor of, or for the benefit of, the Administrative Agent for the benefit of the Secured Parties, substantially in the form of Exhibit D (with such changes thereto as shall be advisable under the law of the jurisdiction in which such mortgage or deed of trust is to be recorded), as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Operating Income": of any Borrowing Base Property for any period, an amount equal to (a) the aggregate Gross Income from Operations of such Borrowing Base Property for such period, minus (b) the sum of (i) all expenses and other proper charges incurred in connection with the operation of such Borrowing Base Property during such period (including real estate taxes, but excluding any management fees, franchise fees, debt service charges, income taxes, depreciation, amortization and other noncash expenses), (ii) a management fee that is the greater of (x) 3% of the aggregate Gross Income from Operations of such Borrowing Base Property for such period and (y) the actual management fees incurred during such period, (iii) a franchise fee that is the greater of 3% of the aggregate Gross Income from Operations of such Borrowing Base Property for such period or the actual franchise fees incurred during such period and (iv) a furniture, fixtures and equipment reserve of 4% of the aggregate Gross Income from Operations of such Borrowing Base Property for such period.

"New Revolving Credit Lender": as defined in Section 2.23(b).

"Non-Consenting Lender": as defined in Section 2.22(b).

"Non-Excluded Taxes": as defined in Section 2.18(a).

"Non-Recorded Borrowing Base Value": at any date of determination, the aggregate Borrowing Base Value of all Material Mortgage Recording Tax Mortgaged Properties on such date plus an amount equal to the aggregate Borrowing Base Value Mortgage Deficit on such date.

"Non-Recourse Indebtedness": any Indebtedness other than Recourse Indebtedness.

"Non-Recourse Parent Guarantor": the Borrower and any direct or indirect parent of the Borrower providing a guarantee permitted by Section 7.2(d), 7.2(g), 7.2(h) or 7.2(i).

"Non-Recourse Subsidiary Borrower": a Subsidiary of the Borrower (other than a Borrowing Base Group Member) whose principal assets are the assets securing Indebtedness incurred in accordance with Section 7.2(d), 7.2(g), 7.2(h) or 7.2(i).

"Non-U.S. Lender": as defined in Section 2.18(f).

"Non-U.S. Participant": as defined in Section 2.18(f).

"Note": any promissory note evidencing any Loan.

"Obligations": the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans, the Reimbursement Obligations and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender or any Qualified Counterparty, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit, any Specified Hedge Agreement or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise; provided, that (a) obligations of the Borrower or any Subsidiary under any Specified Hedge Agreement shall be secured and guaranteed pursuant to the Security Documents only to the extent that, and for so long as, the other Obligations are so secured and guaranteed and (b) any release of Collateral or Guarantors effected in the manner permitted by this Agreement shall not require the consent of holders of obligations under Specified Hedge Agreements.

"Occupancy Rate": for any Real Property on any date of determination, the total rooms occupied for the period of four fiscal quarters most recently ended for which financial statements are available (excluded complimentary rooms) divided by the total number of available rooms during such period.

"OFAC": Office of Foreign Assets Control of the United States Department of the Treasury.

"OFAC List": the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office Foreign Assets Control.

"Operating Expenses": with respect to any Borrowing Base Property for any period, the sum of all costs and expenses of operating, maintaining, directing, managing and supervising such Borrowing Base Property (excluding, (a) depreciation and amortization, (b) any Debt Service, (c) any Capital Expenditures in connection with such Borrowing Base Property, or (d) the costs of any other things specified to be done or provided at the Loan Parties' or the Manager's sole expense) incurred by the Loan Parties or the Manager pursuant to the applicable Management Agreement, or as otherwise specifically provided therein, which are properly attributable to the period under consideration under the REIT's system of accounting, including without limitation: (i) the cost of all food and beverages sold or consumed and of all necessary chinaware, glassware, linens, flatware, uniforms, utensils and other items of a similar nature, including such items bearing the name or identifying characteristics of the hotels as the Loan Parties or the Manager shall reasonably consider appropriate ("Operating Equipment") and paper supplies, cleaning materials and similar consumable items ("Operating Supplies") placed in use (other than reserve stocks thereof in storerooms), Operating Equipment and Operating Supplies shall be considered to have been placed in use when they are transferred from the storerooms of

such Borrowing Base Property to the appropriate operating departments; (ii) salaries and wages of personnel of such Borrowing Base Property, including costs of payroll taxes and employee benefits; (iii) the cost of all other goods and services obtained by any Loan Party or the Manager in connection with its operation of such Borrowing Base Property including, without limitation, heat and utilities, office supplies and all services performed by third parties, including leasing expenses in connection with telephone and data processing equipment, and all existing and any future installations necessary for the operation of the Improvements for hotel purposes (including, without limitation, heating, lighting, sanitary equipment, air conditioning, laundry, refrigerating, built-in kitchen equipment, telephone equipment, communications systems, computer equipment and elevators), Operating Equipment and existing and any future furniture, furnishings, wall coverings, fixtures and hotel equipment necessary for the operation of the building for hotel purposes which shall include all equipment required for the operation of kitchens, bars, laundries (if any) and dry cleaning facilities (if any), office equipment, cleaning and engineering equipment and vehicles; (iv) the cost of repairs to and maintenance of such Borrowing Base Property other than of a capital nature; (v) the allocated amount of insurance premiums for general liability insurance, workers' compensation insurance or insurance required by similar employee benefits acts and such business interruption or other insurance as may be provided for protection against claims, liabilities and losses arising from the operation of such Borrowing Base Property (as distinguished from any property damage insurance on such Borrowing Base Property building or its contents) and losses incurred on any self-insured risks of the foregoing types, provided that, the Borrower and the Manager have specifically approved in advance such self-insurance or insurance is unavailable to cover such risks; (vi) all real estate and personal property taxes, assessments, water rates or sewer rents, now hereafter levied or assessed or imposed against such Borrowing Base Property or part thereof and Other Charges (other than federal, state or local income taxes and franchise taxes or the equivalent) payable by or assessed against the Loan Parties or the Manager with respect to the operation of such Borrowing Base Property; (vii) the allocated amount of legal fees and fees of any firm of independent certified public accounts designated from time to time by the REIT for services directly related to the operation of such Borrowing Base Property; (viii) the costs and expenses of technical consultants and specialized operational experts for specialized services in connection with non-recurring work on operational, legal, functional, decorating, design or construction problems and activities; provided that, if such costs and expenses have not been included in an approved budget, then if such costs exceed $5,000 in any one instance the same shall be subject to approval by the Administrative Agent; (ix) the allocated amount all expenses for advertising such Borrowing Base Property and all expenses of sales promotion and public relations activities; (x) the cost of any reservations system, any accounting services or other group benefits, programs or services from time to time made available to properties in the REIT's system; (xi) the cost associated with any retail Leases or Operating Leases; (xii) any management fees, basic and incentive fees or other fees and reimbursables paid or payable to the Manager under the related Management Agreement; (xiii) any franchise fees or other fees and reimbursables paid or payable to the Franchisor under the related Franchise Agreement; and (xiv) all costs and expenses of owning, maintaining, conducting and supervising the operation of such Borrowing Base Property to the extent such costs and expenses are not included above.

"Operating Lease": with respect to each Borrowing Base Property, the lease agreement entered into by and between the Loan Party which owns such Borrowing Base Property and the applicable Lessee, as each may be amended, restated, supplemented or otherwise modified from time to time.

"Other Charges": all ground rents, maintenance charges, impositions other than taxes, and any other charges, including, without limitation, vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Real Property, now or hereafter levied or assessed or imposed against the Real Property or any part thereof.

"Other Taxes": any and all present or future stamp, court or documentary, intangible, recording, filing or similar taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery, performance, registration of, enforcement of, receipt or perfection of a security interest under or otherwise with respect to, this Agreement or any other Loan Document.

"Ownership Percentage": with respect to any Person, the percentage of the total outstanding Capital Stock of such Person held directly and indirectly by the REIT and its Subsidiaries.

"Participant": as defined in Section 10.6(b).

"Participation Amount": as defined in Section 3.4(b).

"Payment Amount": as defined in Section 3.5.

"Payment Office": the office specified from time to time by the Administrative Agent as its payment office by notice to the Borrower and the Lenders.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Permitted Construction Financing": Non-Recourse Indebtedness incurred to finance the construction or improvement of Real Estate Under Construction (inclusive of Non-Recourse Indebtedness incurred as part of such construction financing and applied to reimburse costs previously paid to fund the related construction) and that is secured by such Real Estate Under Construction.

"Permitted Investors": the collective reference to Jeffrey H. Fisher.

"Permitted Limited Recourse Guarantees": guarantees by any Non-Recourse Parent Guarantor (a) for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and/or included in separate guarantee or indemnification agreements in non-recourse financing of real estate and customary non-monetary completion and performance guarantees by any Non-Recourse Parent Guarantor, in each case with respect to Indebtedness permitted by Sections 7.2(h) and 7.2(i), and (b) monetary completion guarantees and payment guarantees in connection with Indebtedness permitted by Section 7.2(f) hereof.

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"PIP Plan": with respect to each Borrowing Base Property, any property improvement program that may be mandated or otherwise required under the applicable Franchise Agreement for such Property or other applicable licensing agreement.

"PIP Requirements": collectively, the obligation of the Loan Parties to comply with the PIP Plans.

"Plan": at a particular time, any employee benefit plan that is covered by ERISA and (a) in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA or (b) in which Hotel Employees participate by virtue of their involvement in the operations of any of the Borrowing Base Properties.

"Pledged Stock": as defined in the Guarantee and Collateral Agreement.

"Policies": as defined in Section 6.5(d).

"Preliminary Diligence Materials": with respect to any Real Property which the Borrower has submitted a written request to be included in as a Borrowing Base Property pursuant to Section 5.3, each of the following documents:

(a) a description of such Real Property, including the age, location and size of such Real Property, the Manager and the Franchisor;

(b) an operating statement with respect to such Real Property for each of the two prior fiscal years and for the current fiscal year through the fiscal quarter most recently ending and for the current fiscal quarter, which shall be audited (to the extent available) or certified by a representative of the Borrower to the best of such representative's knowledge as being correct and complete in all respects and presents accurately the results of operations of such Property for the periods indicated; provided that, with respect to any period such Real Property was not owned by the Borrower, such information shall only be required to be delivered to the extent reasonably available to the Borrower;

(c) a pro forma operating statement or an operating budget for such Real Property with respect to the current and immediately following fiscal years;

(d) a budget for capital expenditures for the immediately following twelve-month period showing funding sources acceptable to the Administrative Agent, including any PIP Requirements for such Real Property; and

(e) a recent STAR Report for such Real Property.

"Prime Rate": as defined in the definition of "Base Rate".

"Principal Financial Officer": the chief financial officer, any director (or equivalent) or officer from time to time of the REIT with actual knowledge of the financial affairs of the REIT and its Subsidiaries.

"Pro Forma Balance Sheet": as defined in Section 4.1.

"Prohibited Person": any Person identified on the OFAC List or any other Person with whom a U.S. Person may not conduct business or transactions by prohibition of Federal law or Executive Order of the President of the United States of America.

"Projections": as defined in Section 6.2(c).

"Property": any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

"Qualified Counterparty": with respect to any Specified Hedge Agreement, any counterparty thereto that, at the time such Specified Hedge Agreement was entered into, was a Lender or an affiliate of a Lender.

"Qualified Franchisor": with respect to any Borrowing Base Property, a reputable and experienced franchisor (which may be an Affiliate of the Borrower) possessing experience in flagging hotel properties similar in size, scope, use and value as such Borrowing Base Property approved by the Required Lenders.

"Qualified Manager": with respect to any Borrowing Base Property, any of (x) the management organizations listed on Annex B or (y) a reputable and experienced management organization (which may be an Affiliate of the Borrower) possessing experience in managing properties similar in size, scope, use and value as such Borrowing Base Property approved by the Required Lenders.

"Rating Agency": each of S&P, Moody's and Fitch, or any other nationally recognized statistical rating agency which has been approved by the Administrative Agent in its sole discretion.

"Real Estate Under Construction": Real Property on which construction of material improvements has commenced or shall concurrently commence with the incurrence of Indebtedness financing such construction and is or shall be continuing to be performed, but has not yet been completed (as such completion is evidenced by the issuance of a temporary or permanent certificate of occupancy (whichever occurs first) for such Real Property.

"Real Property": with respect to any Person, all of the right, title, and interest of such Person in and to land, improvements and fixtures, including ground leases.

"REC": as defined in Section 6.8(c).

"Recourse Indebtedness": any Indebtedness, to the extent that recourse of the applicable lender for non-payment is not limited to such lender's Liens on a particular asset or group of assets (except to the extent the Property on which such lender has a Lien and to which its recourse for non-payment is limited constitutes cash or Cash Equivalents, to which extent such Indebtedness shall be deemed to be Recourse Indebtedness); provided that, personal recourse of any Person for any such Indebtedness for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of single purpose entity covenants, failure to maintain insurance, failure to pay taxes, and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate guaranty or indemnification agreements in non-recourse financing of real estate shall not, by itself, cause such Indebtedness to be characterized as Recourse Indebtedness. For the avoidance of doubt, Recourse Indebtedness shall not include the Obligations.

"Refunded Swing Line Loans": as defined in Section 2.4.

"Refunding Date": as defined in Section 2.4.

"Register": as defined in Section 10.6(d).

"Regulation H": Regulation H of the Board as in effect from time to time.

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reimbursement Obligation": the obligation of the Borrower to reimburse each Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit issued by such Issuing Lender.

"REIT": as defined in the preamble hereto.

"REIT Controlled Affiliate": any Person that directly or indirectly, is controlled by the REIT. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"REIT Permitted Investments": Investments by the REIT or any Subsidiary of the REIT in the following items at any one time outstanding; provided that, on any date of determination, the aggregate value of such holdings of the REIT and its Subsidiaries shall not exceed the following amounts as a percentage of Total Asset Value on such date:

(i)	Mortgage Notes Receivables	5%
(ii)	Pro rata share of Unconsolidated Joint Ventures	20%
(iii)	Construction in Process	10%
(iv)	Aggregate of (i) to (iii)	30%

"REIT Status": with respect to any Person, (a) the qualification of such Person as a real estate investment trust under Sections 856 through 860 of the Code, and (b) the applicability to such Person and its shareholders of the method of taxation provided for in Section 857 et seq. of the Code, including a deduction for dividends paid.

"Related Fund": with respect to any Lender, any fund that (x) invests in commercial loans and (y) is managed or advised by the same investment advisor as such Lender, by such Lender or an affiliate of such Lender.

"Rents": with respect to each Borrowing Base Property, all rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including, without limitation, all oil and gas or other mineral royalties and bonuses), income, receivables, receipts, revenues, deposits (including, without limitation, security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other consideration of whatever form or nature received by or paid to or for the account of or benefit of the Loan Parties or their agents or employees from any and all sources arising from or attributable to such Borrowing Base Property, and proceeds, if any, from business interruption or other loss of income or insurance, including, without limitation, all hotel receipts, revenues and credit card receipts collected from guest rooms, restaurants, bars, meeting rooms, banquet rooms and recreational facilities, all receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the use and occupancy of property or rendering of services by the Loan Parties or any operator or manager of the hotel or the commercial space located in the Improvements or acquired from others (including, without limitation, from the rental of any office space, retail space, guest rooms or other space, halls, stores, and offices, and deposits securing reservations of such space), license, lease, sublease and concession fees and rentals, health club membership fees, food and beverage wholesale and retail sales, service charges, vending machine sales and proceeds, if any, from business interruption or other loss of income insurance.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Replacement Franchise Agreement": collectively, (a) either (i) a franchise, trademark and license agreement with a Qualified Franchisor substantially in the same form and substance as the Franchise Agreement being replaced, or (ii) a franchise, trademark and license agreement with a Qualified Franchisor, which franchise, trademark and license agreement shall be reasonably acceptable to the Administrative Agent in form and substance and (b) an assignment of franchise agreement substantially in the form then used by the Administrative Agent (or of such other form and substance reasonably acceptable to the Administrative Agent), executed and delivered to the Administrative Agent by the applicable Loan Party and such Qualified Franchisor at the Borrower's expense.

"Replacement Management Agreement": collectively, (a) either (i) a management agreement with a Qualified Manager substantially in the same form and substance as the Management Agreement being replaced, or (ii) a management agreement with a Qualified Manager, which management agreement shall be in form and substance reasonably acceptable to the Administrative Agent and (b) an assignment of management agreement and subordination of management fees substantially in the form then used by the Administrative Agent (or of such other form and substance reasonably acceptable to the Administrative Agent), executed and delivered to the Administrative Agent by the applicable Loan Party and such Qualified Manager at the Borrower's expense.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the 30-day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

"Required Lenders": at any time, the holders of more than 50% of the Total Revolving Credit Commitments then in effect or, if the Revolving Credit Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding. The Total Revolving Extensions of Credit of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

"Requirements of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any treaty, federal, state, county, municipal and other governmental statutes, laws, orders, rules, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities or determination of an arbitrator or a court, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject, or the construction, use, alteration or operation of any Real Property, or any part thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and, with respect to any Real Property, all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to the Group Members, at any time in force affecting such Real Property or any part thereof.

"Residence Inn Holtsville": that certain 124 room hotel property located in Holtsville, New York.

"Residence Inn White Plains": that certain 133 room hotel property located in White Plains, New York.

"Responsible Officer": the chief executive officer, president or chief financial officer of the REIT, but in any event, with respect to financial matters, the chief financial officer of the REIT.

"Restoration": the repair and restoration of a Borrowing Base Property after a Casualty or Condemnation as nearly as possible to the condition the Borrowing Base Property was in immediately prior to such Casualty or Condemnation, with such alterations as may be reasonably approved by the Administrative Agent.

"Restricted Borrowing Base Property": any Borrowing Base Property for which the Loan Parties have not furnished to the Administrative Agent financial statements pursuant to Section 6.1, in form and substance satisfactory to the Administrative Agent, demonstrating operating results for such Borrowing Base Property for a period of twelve months or more.

"Restricted Payments": as defined in Section 7.6.

"Revolving Commitment Increase Notice": as defined in Section 2.23(a).

"Revolving Credit Commitment": as to any Lender, the obligation of such Lender, if any, to make Revolving Credit Loans and participate in Swing Line Loans and Letters of Credit, in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Credit Commitment" opposite such Lender's name on Annex A, or, as the case may be, in the Assignment and Assumption substantially in the form of Exhibit E pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Total Revolving Credit Commitments is $95,000,000.

"Revolving Credit Commitment Period": the period from and including the Effective Date to the Revolving Credit Termination Date.

"Revolving Credit Increase Effective Date": as defined in Section 2.23(f).

"Revolving Credit Lender": each Lender that has a Revolving Credit Commitment or that is the holder of Revolving Credit Loans.

"Revolving Credit Loans": as defined in Section 2.1.

"Revolving Credit Note": as defined in Section 2.5.

"Revolving Credit Percentage": as to any Revolving Credit Lender at any time, the percentage which such Lender's Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which the aggregate amount of such Lender's Revolving Extensions of Credit then outstanding constitutes of the Total Revolving Extensions of Credit then outstanding).

"Revolving Credit Termination Date": November 5, 2015, as such date may be extended pursuant to Section 2.6.

"Revolving Extensions of Credit": as to any Revolving Credit Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (b) such Lender's Revolving Credit Percentage of the L/C Obligations then outstanding and (c) such Lender's Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

"Revolving Offered Increase Amount": as defined in Section 2.23(a).

"RevPAR": on any date of determination for any Real Property, an amount equal to (a) the Occupancy Rate for such Real Property for the period of four fiscal quarters most recently ended for which financial statements are available multiplied by (b) Average Daily Rate for such Real Property for such period.

"S&P": Standard & Poor's Ratings Services and its successors.

"SEC": the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"Secured Parties": as defined in the Guarantee and Collateral Agreement.

"Security Documents": the collective reference to the Guarantee and Collateral Agreement, the Mortgages, the Subordination Agreements and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any Property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document, as each may be amended, restated, supplemented or otherwise modified from time to time.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA or Section 412 of the Code, other than a Multiemployer Plan.

"Solvent": with respect to any Person, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"SPC": as defined in Section 10.6(g).

"Specially Designated Nationals List": the Specially Designated Nationals and Blocked Persons List maintained by OFAC and available at http://www.ustreas.gov/offices/ enforcement/ofac/sdn/, or as otherwise published from time to time.

"Specified Hedge Agreement": any Hedge Agreement entered into by Borrower or any Subsidiary Guarantor and any Qualified Counterparty.

"STAR Report": with respect to any Real Property, a Smith Travel Accommodation Report (STAR) by Smith Travel Research or any other report which reflects market penetration and relevant hotel properties competing with such Real Property, in each case in form and substance reasonably satisfactory to the Administrative Agent.

"State": any state, commonwealth or territory of the United States of America, in which the subject of such reference or any part thereof is located.

"Subordination Agreement": with respect to each Borrowing Base Property, a Subordination of Management Fees and Non-Disturbance and Attornment Agreement, among the Administrative Agent for the benefit of the Secured Parties, the Loan Party which owns or leases such Borrowing Base Property pursuant to an Acceptable Lease and the Manager, as manager, in form and substance acceptable to the Administrative Agent, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantor": each Subsidiary of the Borrower that is a party to the Guarantee and Collateral Agreement.

"Supermajority Lenders": at any time, the holders of more than 66 2/3% of the Total Revolving Credit Commitments then in effect or, if the Revolving Credit Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding.

"Survey": as defined in Section 5.1(q).

"Swing Line Commitment": the obligation of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.3 in an aggregate principal amount at any one time outstanding not to exceed $10,000,000.

"Swing Line Exposure": for any Lender, at any time, its Revolving Credit Percentage of the aggregate amount of all Swing Line Loans outstanding at such time.

"Swing Line Lender": Barclays Bank PLC, in its capacity as the lender of Swing Line Loans.

"Swing Line Loans": as defined in Section 2.3.

"Swing Line Note": as defined in Section 2.5.

"Swing Line Participation Amount": as defined in Section 2.4.

"Syndication Agent": as defined in the preamble hereto.

"Tenant": any Person leasing, subleasing or otherwise occupying any portion of a Borrowing Base Property under a Lease or other occupancy agreement with the Loan Party that is the direct owner of such Borrowing Base Property.

"Third Party Reports": with respect to any Real Property which the Borrower has submitted a written request to be included in as a Borrowing Base Property pursuant to Section 5.3, each of the following documents prepared for such Real Property:

(a) an Acceptable Environmental Report;

(b) a property condition and structural reports;

(c) seismic reports;

(d) zoning reports satisfying the requirements of Section 5.1(c); and

(e) an Appraisal.

"Title Insurance Company": as defined in Section 5.1(q).

"Title Insurance Policy": with respect to each Borrowing Base Property, an ALTA mortgagee title insurance policy in a form reasonably acceptable to the Administrative Agent (or, if a Borrowing Base Property is in a State which does not permit the issuance of such ALTA policy, such form as shall be permitted in such State and reasonably acceptable to the Administrative Agent) issued with respect to each Borrowing Base Property and insuring the Lien of the Mortgage encumbering such Borrowing Base Property.

"Total Asset Value": as of any date of determination, without duplication, with respect to the Group Members on a consolidated basis, the sum of (a) for Real Property assets owned for four full consecutive fiscal quarters or more as of such date, an amount equal to (x) Consolidated EBITDA for such Real Property assets for the four consecutive fiscal quarters most recently ending on or prior to such date minus the aggregate amount of Consolidated EBITDA attributable to each such Real Property asset acquired, sold or otherwise disposed of during such period, divided by (y) the Capitalization Rate with respect to such Real Property assets, (b) the acquisition cost of each Real Property asset (other than Construction in Process) acquired during the most recent four consecutive fiscal quarters ending on or prior to such date, (c) cost of Construction in Process (including the book value of the related Real Property) plus the cost of improvements, (d) unrestricted cash and Cash Equivalents on the last day of the four consecutive fiscal quarters ending on or prior to such date, (e) the Group Members' pro rata share of the foregoing items in clauses (a), (b) and (c) attributable to interests in Unconsolidated Joint Ventures and (f) an amount equal to the aggregate book value of accounts receivable, Mortgage Notes Receivable, construction loans, capital improvement loans and other loans not in default owned by the Group Members.

"Total Net Worth": on any date of determination, (a) Total Asset Value on such date minus (b) Consolidated Total Debt on such date.

"Total Revolving Credit Commitments": at any time, the aggregate amount of the Revolving Credit Commitments then in effect.

"Total Revolving Extensions of Credit": at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Credit Lenders outstanding at such time.

"Transferee": as defined in Section 10.14.

"TRS Holding": Chatham TRS Holding, Inc., a Florida corporation.

"TRS Subsidiary": each Subsidiary listed on Schedule 1.1F and any other Subsidiary of the Borrower that is a "taxable REIT subsidiary" within the meaning of section 856(l) of the Code.

"Type": as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

"Unconsolidated Joint Venture": with respect to any Group Member, any Joint Venture in which such Group Member has an interest that is not consolidated with such Group Member in accordance with GAAP.

"Uniform System of Accounts": the most recent edition of the Uniform System of Accounts for the Lodging Industry as published by the American Hotel & Lodging Association Educational Institute, as amended from time to time.

"USPAP": the Uniform Standards for Professional Appraisal Practice (USPAP).

"USA PATRIOT Act": the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56), as amended from time to time.

"Wholly Owned Subsidiary": as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

"Wholly Owned Subsidiary Guarantor": any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the REIT, the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under the Uniform System of Accounts and reconciled in accordance with GAAP, as applicable.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(e) All calculations of financial ratios set forth in Section 7.1 and the calculation of the Consolidated Leverage Ratio for purposes of determining the Applicable Margin shall be calculated to the same number of decimal places as the relevant ratios are expressed in and shall be rounded upward if the number in the decimal place immediately following the last calculated decimal place is five or greater. For example, if the relevant ratio is to be calculated to the hundredth decimal place and the calculation of the ratio is 5.126, the ratio will be rounded up to 5.13.

SECTION 2 AMOUNT AND TERMS OF REVOLVING CREDIT COMMITMENT

2.1 Revolving Credit Commitments. (a) Subject to the terms and conditions hereof, the Revolving Credit Lenders severally agree to make revolving credit loans (the "Revolving Credit Loans") to the Borrower from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding (i) for each Revolving Credit Lender which, when added to such Lender's Revolving Credit Percentage of the sum of (x) the L/C Obligations then outstanding and (y) the aggregate principal amount of the Swing Line Loans then outstanding does not exceed the amount of such Lender's Revolving Credit Commitment and (ii) the Total Revolving Extensions of Credit shall at no time exceed the Maximum Facility Availability at such time. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.11, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date.

(b) The Borrower shall repay all outstanding Revolving Credit Loans on the Revolving Credit Termination Date.

2.2 Procedure for Revolving Credit Borrowing. (a) The Borrower may borrow under the Revolving Credit Commitments on any Business Day during the Revolving Credit Commitment Period, provided that the Borrower shall deliver to the Administrative Agent a Borrowing Notice (which Borrowing Notice must be received by the Administrative Agent prior to 12:00 Noon (New York City time) (i) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (ii) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans). Each borrowing of Revolving Credit Loans under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, $1,000,000 or a whole multiple in excess thereof (or, if the then aggregate Available Revolving Credit Commitments are less than $1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, $5,000,000 or a whole multiple of $1,000,000 in excess thereof; provided, that the Swing Line Lender may request, on behalf of the Borrower, borrowings of Base Rate Loans under the Revolving Credit Commitments in other amounts pursuant to Section 2.4. Upon receipt of any such Borrowing Notice from the Borrower, the Administrative Agent shall

promptly notify each Revolving Credit Lender thereof. Each Revolving Credit Lender will make its Revolving Credit Percentage of the amount of each borrowing of Revolving Credit Loans available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 1:00 P.M. (New York City time) on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

(b) Notwithstanding the foregoing, the Borrower hereby authorizes the Administrative Agent to request Revolving Credit Loans on behalf of the Borrower (i) to pay the annual cost of title bring downs required pursuant to Section 6.18(b) and (ii) after the occurrence of the Mortgage Recordation Trigger Date, to the extent necessary or advisable to pay recording taxes and the cost of annual title bring downs and Title Insurance Policies, and other recording costs and expenses to record the Material Mortgage Recording Tax State Mortgages and obtain Title Insurance Policies (including, without limitation, the fees and expenses of counsel incurred in connection therewith) in accordance with Section 6.18(a), which Revolving Credit Loans may be Base Rate Loans. Each Revolving Credit Lender's obligation to make the Revolving Credit Loans referred to in this Section 2.2(b) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Revolving Credit Lender may have against the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Credit Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that, the Lenders shall not have any obligation to make Revolving Credit Loans pursuant to this Section 2.2(b) if, after giving effect to such Revolving Credit Loans, the Total Revolving Extensions of Credit exceed the Total Revolving Credit Commitments.

2.3 Swing Line Commitment. (a) Subject to the terms and conditions hereof, the Swing Line Lender agrees that, during the Revolving Credit Commitment Period, it will make available to the Borrower in the form of swing line loans ("Swing Line Loans") a portion of the credit otherwise available to the Borrower under the Revolving Credit Commitments; provided that (i) the aggregate principal amount of Swing Line Loans outstanding at any time shall not exceed the Swing Line Commitment then in effect (notwithstanding that the Swing Line Loans outstanding at any time, when aggregated with the Swing Line Lender's other outstanding Revolving Credit Loans hereunder, may exceed the Swing Line Commitment then in effect or such Swing Line Lender's Revolving Credit Commitment then in effect), (ii) the Borrower shall not request, and the Swing Line Lender shall not make, any Swing Line Loan if, after giving effect to the making of such Swing Line Loan, the aggregate amount of the Available Revolving Credit Commitments would be less than zero and (iii) the Total Revolving Extensions of Credit shall at no time exceed the Maximum Facility Availability at such time. During the Revolving Credit Commitment Period, the Borrower may use the Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be Base Rate Loans only.

(b) The Borrower shall repay all outstanding Swing Line Loans on or before the day that is ten days after the Borrowing Date of such Swing Line Loan.

2.4 Procedure for Swing Line Borrowing; Refunding of Swing Line Loans. (a) The Borrower may borrow under the Swing Line Commitment on any Business Day during the Revolving Credit Commitment Period, provided that, the Borrower shall give the Swing Line Lender irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by the Swing Line Lender not later than 1:00 P.M. (New York City time) on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Swing Line Commitment shall be in an amount equal to $500,000 or a whole multiple of $100,000 in excess thereof. Not later than 3:00 P.M. (New York City time) on the Borrowing Date specified in the borrowing notice in respect of any Swing Line Loan, the Swing Line Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the amount of such Swing Line Loan. The Administrative Agent shall make the proceeds of such Swing Line Loan available to the Borrower on such Borrowing Date in like funds as received by the Administrative Agent.

(b) The Swing Line Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs the Swing Line Lender to act on its behalf), on one Business Day's notice given by the Swing Line Lender no later than 12:00 Noon (New York City time) request each Revolving Credit Lender to make, and each Revolving Credit Lender hereby agrees to make, a Revolving Credit Loan (which shall initially be a Base Rate Loan), in an amount equal to such Revolving Credit Lender's Revolving Credit Percentage of the aggregate amount of the Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date of such notice, to repay the Swing Line Lender. Each Revolving Credit Lender shall make the amount of such Revolving Credit Loan available to the Administrative Agent at the Funding Office in immediately available funds, not later than 10:00 A.M. (New York City time) one Business Day after the date of such notice. The proceeds of such Revolving Credit Loans shall be made immediately available by the Administrative Agent to the Swing Line Lender for application by the Swing Line Lender to the repayment of the Refunded Swing Line Loans.

(c) If prior to the time a Revolving Credit Loan would have otherwise been made pursuant to Section 2.4(b), one of the events described in Section 8.1(f) shall have occurred and be continuing with respect to the Borrower, or if for any other reason, as determined by the Swing Line Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.4(b), each Revolving Credit Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.4(b) (the "Refunding Date"), purchase for cash an undivided participating interest in the then outstanding Swing Line Loans by paying to the Swing Line Lender an amount (the "Swing Line Participation Amount") equal to (i) such Revolving Credit Lender's Revolving Credit Percentage times (ii) the sum of the aggregate principal amount of Swing Line Loans then outstanding which were to have been repaid with such Revolving Credit Loans.

(d) Whenever, at any time after the Swing Line Lender has received from any Revolving Credit Lender such Lender's Swing Line Participation Amount, the Swing Line Lender receives any payment on account of the Swing Line Loans, the Swing Line Lender will distribute to such Lender its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swing Line Loans then due); provided, however, that in the event that such payment received by the Swing Line Lender is required to be returned, such Revolving Credit Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender.

(e) Each Revolving Credit Lender's obligation to make the Loans referred to in Section 2.4(b) and to purchase participating interests pursuant to Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Revolving Credit Lender or the Borrower may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Credit Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.5 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Revolving Credit Lender (i) the then unpaid principal amount of each Revolving Credit Loan of such Revolving Credit Lender on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8) and (ii) the then unpaid principal amount of each Swing Line Loan of such Swing Line Lender on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.1). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.13.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.5(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will promptly execute and deliver to such Lender a promissory note of the Borrower evidencing any Revolving Credit Loans or Swing Line Loans, as the case may be, of such Lender, substantially in the forms of Exhibit F-1 or F-2, respectively (a "Revolving Credit Note" or "Swing Line Note", respectively), with appropriate insertions as to date and principal amount; provided, that delivery of Notes shall not be a condition precedent to the occurrence of the Effective Date or the making of the Loans or issuance of Letters of Credit on the Effective Date.

2.6 Extension of Revolving Credit Termination Date. (a) During the period commencing not more than 120 days prior to, and ending not less than 30 days prior to, the Revolving Credit Termination Date, the Borrower may request a one-year extension of the Revolving Credit Termination Date by delivering to the Administrative Agent a written notice (the "Extension Request"), which the Administrative Agent shall distribute promptly to the Lenders, provided that, (i) the Borrower may not submit more than one Extension Request and (ii) the Revolving Credit Termination Date, as extended, shall not be later than the fourth anniversary of the Effective Date.

(b) The extension of the Revolving Credit Termination Date shall become automatically effective on the date on which the following conditions have been satisfied:

(i) the Administrative Agent shall have received the Extension Request;

(ii) no Default or Event of Default shall have occurred and be continuing either on the date that the Borrower delivers the Extension Request, or on the original Revolving Credit Termination Date immediately prior to or after giving effect to such extension, provided that, the Borrower shall deliver a certificate from a Responsible Officer together with the Extension Request certifying that no Default or Event of Default shall have occurred and be continuing on such date; and

(iii) the Borrower shall have paid to the Administrative Agent, for distribution to each Lender, a one-time fee in an amount equal to 0.25% of the Revolving Credit Commitment of such Lender on such date (or, if the Revolving Credit Commitments have been terminated, the aggregate principal amount of the Revolving Credit Loans then outstanding).

2.7 Commitment Fees, etc. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Lender a commitment fee for the period from and including the Effective Date to the last day of the Revolving Credit Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available Revolving Credit Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Revolving Credit Termination Date, commencing on the first of such dates to occur after the date hereof. If there is any change in the Commitment Fee Rate during any quarter, the actual daily amount of the commitment fee shall be computed and multiplied by the Commitment Fee Rate separately for each period during such quarter that such Commitment Fee Rate was in effect.

(b) The Borrower agrees to pay to the Syndication Agent the fees in the amounts and on the dates previously agreed to in writing by the Borrower and the Syndication Agent.

(c) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Administrative Agent.

2.8 Termination or Reduction of Revolving Credit Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the Revolving Credit Commitments; provided that no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Maximum Facility Availability. Any such reduction shall be in an amount equal to $1,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Credit Commitments then in effect.

2.9 Optional Prepayments. (a) The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty (except as otherwise provided herein), upon irrevocable notice delivered to the Administrative Agent no later than 11:00 A.M. (New York City time) three Business Days prior thereto in the case of Eurodollar Loans and no later than 11:00 A.M. (New York City time) one Business Day prior thereto in the case of Base Rate Loans, which notice shall specify the date and amount of such prepayment and whether such prepayment is of Eurodollar Loans or Base Rate Loans; provided, that (i) if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.19 and (ii) no prior notice is required for the prepayment of Swing Line Loans. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Credit Loans that are Base Rate Loans and Swing Line Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Revolving Credit Loans shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof. Partial prepayments of Swing Line Loans shall be in an aggregate principal amount of $100,000 or a whole multiple thereof.

2.10 Mandatory Prepayments. If at any date the Total Revolving Extensions of Credit exceed the Maximum Facility Availability calculated as of such date, the Borrower shall prepay the Loans and the outstanding Letters of Credit shall be Cash Collateralized within three Business Days of such date in an aggregate amount equal to or greater than such excess so that the Total Revolving Extensions of Credit no longer exceed the Maximum Facility Availability as of such date. Amounts to be applied in connection with prepayments made pursuant to this Section shall be applied, first, to the prepayment of the Loans (without a corresponding reduction of the Revolving Credit Commitments) and, second, to Cash Collateralize the outstanding Letters of Credit.

2.11 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may be made only on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Base Rate Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), provided that no Base Rate Loan may be converted into a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Required Lenders have, determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the final scheduled termination or maturity date of the Loan. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) The Borrower may elect to continue any Eurodollar Loan as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loan, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Required Lenders have, determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the Revolving Credit Termination Date, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.12 Minimum Amounts and Maximum Number of Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof and (b) no more than five Eurodollar Tranches shall be outstanding at any one time.

2.13 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin in effect for such day.

(b) Each Base Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Base Rate in effect for such day plus the Applicable Margin in effect for such day.

(c) (i) At any time an Event of Default has occurred and is continuing, all outstanding Loans and Reimbursement Obligations (whether or not overdue) (to the extent legally permitted) shall bear interest at a rate per annum that is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans plus 2% and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (after as well as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.14 Computation of Interest and Fees; Retroactive Adjustments of Applicable Margin. (a) Interest, fees and commissions payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to Base Rate Loans on which interest is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.13(a).

(c) If, as a result of any restatement of or other adjustment to the financial statements of the REIT or for any other reason, the REIT, the Borrower, the Administrative Agent or the Lenders determine that (i) the Consolidated Leverage Ratio as calculated by the REIT and the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Consolidated Leverage Ratio would have resulted in a higher Applicable Margin for such period, the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders or Issuing Lender, as the case may be, promptly on demand by the Administrative Agent (or, after the occurrence of an Event of Default specified in clause (i) or (ii) of 8.1(f) with respect to the Borrower, automatically and without further action by the Administrative Agent, any Lender or Issuing Lender) an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Lender or Issuing Lender, as the case may be, under Section 2.13(c), 3.3(a) or 3.4(b) or under Section 8.1.

2.15 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

2.16 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee or Letter of Credit fee, and any reduction of the Revolving Credit Commitments of the Lenders, shall be made pro rata according to the Revolving Credit Percentages of the Lenders. Each payment of interest in respect of the Loans and each payment in respect of fees payable hereunder shall be applied to the amounts of such obligations owing to the Lenders pro rata according to the respective amounts then due and owing to the Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of the Revolving Credit Loans shall be made pro rata according to the respective outstanding principal amounts of the Revolving Credit Loans then held by the Revolving Credit Lenders. Each payment in respect of Reimbursement Obligations in respect of any Letter of Credit shall be made to the Issuing Lender that issued such Letter of Credit.

(c) The application of any payment of Loans (including optional and mandatory prepayments) shall be made, first, to Base Rate Loans and, second, to Eurodollar Loans. Each payment of the Loans (except in the case of Swing Line Loans and Revolving Credit Loans that are Base Rate Loans) shall be accompanied by accrued interest to the date of such payment on the amount paid.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 2:00 pm, New York City time, on the due date thereof to the Administrative Agent, for the account of the relevant Lenders, at the Payment Office, in Dollars and in immediately available funds. Any payment made by the Borrower after 2:00 pm, New York City time, on any Business Day shall be deemed to have been on the next following Business Day. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender’s share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans, on demand, from the Borrower.

(f) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent

may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

(g) Upon receipt by the Administrative Agent of payments on behalf of Lenders, the Administrative Agent shall promptly distribute such payments to the Lender or Lenders entitled thereto, in like funds as received by the Administrative Agent. Notwithstanding the foregoing, if the Administrative Agent receives any payment (whether voluntarily or involuntarily, pursuant to events or proceedings of the nature referred to in Section 8.1(f), or otherwise) (the amount of such payment, the "Lender Payment Amount") for the account of any Lender (whether in such Lender's capacity as a Revolving Credit Lender or L/C Participant), and at the time of such receipt such Lender, in its capacity as L/C Participant, is in default in any of its obligations pursuant to Section 3.4(a) (the amount of such obligations in default, the "Defaulted Amount"), the Administrative Agent may withhold from the Lender Payment Amount an amount up to the Defaulted Amount, and apply the amount so withheld toward payment to the relevant Issuing Lender of the Defaulted Amount or, if applicable, toward reimbursement of any other Person that has previously reimbursed such Issuing Lender for the Defaulted Amount.

2.17 Requirements of Law. (a) If any Change in Law:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes or Other Taxes covered by Section 2.18 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for

such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that any Change in Law regarding capital adequacy or liquidity requirements or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such Change in Law or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.18 Taxes. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding (i) net income taxes (however denominated), branch profit taxes, and franchise taxes (imposed in lieu of net income taxes) imposed on any Agent or any Lender as a result of a present or former connection between such Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising from such Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document); (ii) taxes that are attributable to such Lender's failure to comply with the requirements of paragraph (e) or (f) of this Section; (iii) taxes that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such deduction or withholding pursuant to this Section 2.18; or (iv) any U.S. federal withholding Taxes imposed under FATCA. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or any Other Taxes are required to be withheld from any amounts payable to any Agent or any Lender hereunder, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to such Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify each Lender or the Administrative Agent, as the case may be, within ten days after demand therefor, for the full amount of any Non-Excluded Taxes (including Non-Excluded Taxes imposed or asserted on or attributable to amounts payable under this Section 2.18(c)) payable or paid by the Administrative Agent or such Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Non-Excluded Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the relevant Agent or Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Agents and the Lenders for any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure, except to the extent that any such amounts are compensated for by an increased payment under Section 2.18(a). The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(e) Each Lender shall deliver documentation and information to the Borrower and the Administrative Agent, at the times and in form required by applicable law or reasonably requested by the Borrower or the Administrative Agent, sufficient to permit the Borrower or the Administrative Agent to determine whether or not payments made with respect to this Agreement or any other Loan Documents are subject to taxes, and, if applicable, the required rate of withholding or deduction. However, a Lender shall not be required to deliver any documentation or information pursuant to this paragraph that such Lender is not legally able to deliver. A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's reasonable judgment such completion, execution or submission would not subject such Lender to any material unreimbursed cost or expense, and materially prejudice the legal or commercial position of such Lender.

(f) Any Lender (or Transferee) that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent Internal Revenue Service Form W-9. Each Lender (or Transferee) that in not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant that would be Non-U.S. Lender if it were a Lender (each, a "Non-U.S. Participant"), to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, Form W-81MY (together with all required supporting documentation), or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest" a statement substantially in the form of Exhibit G-1, G-2, G-3 or G-4, as applicable, and a Form W-8BEN, or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Non-U.S. Participant, on or before the date such Non-U.S. Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower (or, in the case of a Non-U.S. Participant, the Lender from which the related participation shall have been purchased) at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(g) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

(h) Nothing in this Section 2.18 shall require the Lender to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

2.19 Indemnity. The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in

accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment or conversion of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.20 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.19.

2.21 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.17, 2.18(a) or 2.20 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.17, 2.18(a) or 2.20.

2.22 Replacement of Lenders under Certain Circumstances. (a) The Borrower shall be permitted to replace any Lender that (i) requests reimbursement for amounts owing pursuant to Section 2.17 or 2.18 or gives a notice of illegality pursuant to Section 2.20, (ii) is a Defaulting Lender or (iii) is a Non-Consenting Lender with a replacement financial institution; provided that (A) such replacement does not conflict with any Requirement of Law, (B) no Event of Default shall have occurred and be continuing at the time of such replacement, (C) prior to any such replacement, such Lender shall have taken no action under Section 2.21 so as to

eliminate the continued need for payment of amounts owing pursuant to Section 2.17 or 2.18 or to eliminate the illegality referred to in such notice of illegality given pursuant to Section 2.20, (D) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (E) the Borrower shall be liable to such replaced Lender under Section 2.19 (as though Section 2.19 were applicable) if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (F) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (G) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (H) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.17 or 2.18, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (I) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

(b) In the event that (i) the Borrower or the Administrative Agent has requested that the Lenders consent to a departure or waiver of any provisions of the Loan Documents or agree to any amendment thereto, (ii) the consent, waiver or amendment requires the agreement of the Supermajority Lenders, all Lenders or all affected Lenders in accordance with the terms of Section 10.1 and (iii) the Required Lenders have agreed to such consent, waiver or amendment, then any Lender who does not agree to such consent, waiver or amendment shall be deemed a "Non-Consenting Lender".

2.23 Increases in Revolving Credit Commitments. (a) At any time after the Effective Date and prior to the date that is twelve months prior to the Revolving Credit Termination Date, so long as no Default or Event of Default has occurred and is continuing, the Borrower may, by notice to the Administrative Agent (a "Revolving Commitment Increase Notice"), which notice shall promptly be copied by the Administrative Agent to each Lender, request an increase in the Total Revolving Credit Commitments in an aggregate principal amount up to $20,000,000 (the "Revolving Offered Increase Amount"); provided that, (x) each such Revolving Offered Increase Amount shall be in a minimum amount of not less than $10,000,000 and (y) at no time shall the Total Revolving Credit Commitments exceed $115,000,000. The Borrower shall (i) first, offer each of the Revolving Credit Lenders the opportunity to provide a pro rata portion of any Revolving Offered Increase Amount pursuant to Section 2.23(c) below, (ii) second, offer each of the Revolving Credit Leaders the opportunity to provide all or a portion of any Revolving Offered Increase Amount not otherwise accepted by the other Revolving Credit Lenders (pursuant to (i) above) pursuant to Section 2.23(c) below and (iii) third, with the consent of the Swing Line Lender and the Administrative Agent (which consent shall not be unreasonably withheld), offer one or more additional banks, financial institutions or other entities the opportunity to provide all or a portion of such Revolving Offered Increase Amount not accepted by the Revolving Credit Lenders pursuant to Section 2.23(b) below. Each Revolving Commitment Increase Notice shall specify which banks, financial institutions or other entities the Borrower desires to provide such Revolving Offered Increase Amount not accepted by the Revolving Credit Lenders. The Borrower or, if requested by the Borrower, the Administrative Agent, will notify the Revolving Credit Lenders, and, if the Revolving Credit Lenders do not accept the entire Revolving Offered Increase Amount, such banks, financial institutions or other entities.

(b) Any additional bank, financial institution or other entity that the Borrower selects to offer participation in any increased Total Revolving Credit Commitments and that elects to become a party to this Agreement and provide a Revolving Credit Commitment in an amount so offered and accepted by it pursuant to Section 2.23(a) shall execute a New Lender Supplement substantially in the form of Exhibit I, with the Borrower, the Swing Line Lender and the Administrative Agent, whereupon such bank, financial institution or other entity (herein called a "New Revolving Credit Lender") shall become a Revolving Credit Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement, provided that, the Revolving Credit Commitment of any such New Revolving Credit Lender shall be in an amount not less than $5,000,000.

(c) Any Revolving Credit Lender that accepts an offer to it by the Borrower to increase its Revolving Credit Commitment pursuant to Section 2.23(a) shall, in each case, execute a Commitment Increase Supplement substantially in the form of Exhibit J (each, a "Commitment Increase Supplement"), with the Borrower, the Swing Line Lender and the Administrative Agent, whereupon such Revolving Credit Lender shall be bound by and entitled to the benefits of this Agreement with respect to the full amount of its Revolving Credit Commitment as so increased.

(d) On any Revolving Credit Increase Effective Date, (i) each bank, financial institution or other entity that is a New Revolving Credit Lender pursuant Section 2.23(b) or any Revolving Credit Lender that has increased its Revolving Credit Commitment pursuant to Section 2.23(c) shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other relevant Revolving Credit Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other relevant Revolving Credit Lenders, each Revolving Credit Lender's portion of the outstanding Revolving Credit Loans of all the Lenders to equal its Revolving Credit Percentage of such Revolving Credit Loans and (ii) the Borrower shall be deemed to have repaid and reborrowed all outstanding Revolving Credit Loans of all the Revolving Credit Lenders to equal its Revolving Credit Percentage of such outstanding Revolving Credit Loans as of the date of any increase in the Revolving Credit Commitments (with such reborrowing to consist of the Types of Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrower in accordance with the requirements of Section 2.2). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 2.19 if the deemed payment occurs other than on the last day of the related Interest Periods.

(e) Notwithstanding anything to the contrary in this Section 2.23, (i) in no event may the Borrower deliver more than two Revolving Commitment Increase Notices, (ii) in no event shall there be more than two Revolving Credit Increase Effective Dates and (iii) no Lender shall have any obligation to increase its Revolving Credit Commitment unless it agrees to do so in its sole discretion.

(f) The increase in the Revolving Credit Commitments provided pursuant to this Section 2.23 shall be effective on the date (the "Revolving Credit Increase Effective Date") the Administrative Agent receives satisfactory legal opinions, board resolutions and other closing documents (including, without limitation, all documentation referred to in Section 5.1(q) necessary to provide additional coverage in an amount equal to the related Revolving Offered Increase Amount) deemed necessary by the Administrative Agent in connection with such increase; provided that, immediately prior to and after giving effect to such increase, (i) no Default or Event of Default shall have occurred and be continuing, (ii) each of the REIT and the Borrower is in pro forma compliance with Section 7.1, such determination of pro forma compliance to be based on the then outstanding principal amount of Loans and (iii) each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, provided that, (x) to the extent that any such representation or warranty relates to a specific earlier date, they shall be true and correct as of such earlier date and (y) any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates. For the avoidance of doubt, no increase in the Revolving Credit Commitments pursuant to this Section 2.23 shall require, as a condition to its effectiveness, the signature of, or any consent or approval from, any Lender that is not obligated to increase its Revolving Credit Commitments pursuant to a Commitment Increase Supplement.

2.24 Defaulting Lender.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 8 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.7 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any Issuing Lender or the Swing Line Lender hereunder; third, to Cash Collateralize the Issuing Banks' Fronting Exposure with respect to such Defaulting Lender; fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the

Issuing Lenders' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement; sixth, to the payment of any amounts owing to the Lenders, the Issuing Lenders or the Swing Line Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Lenders or the Swing Line Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Obligations in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 5.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations and Swing Line Loans are held by the Lenders pro rata in accordance with the Commitments under the applicable Facility without giving effect to Section 2.24(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.24(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. (A) No Defaulting Lender shall be entitled to receive any Commitment Fee for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive fees pursuant to Section 3.3(a) with respect to Letters of Credit for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Revolving Credit Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral.

(C) With respect to any fee on account of Letters of Credit not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations or Swing Line Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each Issuing Lender and the Swing Line Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such Issuing Lender's or the Swing Line Lender's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations and Swing Line Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Revolving Credit Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 5.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Revolving Extensions of Credit of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Revolving Credit Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral, Repayment of Swing Line Loans. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swing Line Loans in an amount equal to the Swing Line Lender's Fronting Exposure and (y) second, Cash Collateralize the Issuing Lenders' Fronting Exposure.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and the Swing Line Lender and each Issuing Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swing Line Loans to be held pro rata by the Lenders in accordance with the Commitments under the applicable Facility (without giving effect to Section 2.24(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Swing Line Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) the Swing Line Lender shall not be required to fund any Swing Line Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swing Line Loan and (ii) no Issuing Lender shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

SECTION 3 LETTERS OF CREDIT

3.1 L/C Commitment. (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Revolving Credit Lenders set forth in Section 3.4(a), agrees to issue letters of credit (the "Letters of Credit") for the account of the Borrower on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by such Issuing Lender; provided, that no Issuing Lender shall have any obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the Total Revolving Extensions of Credit would exceed the Maximum Facility Availability at such time. Each Letter of Credit shall (A) be denominated in Dollars and (B) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the Revolving Credit Termination Date; provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause such Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

(c) Notwithstanding the foregoing, any Letters of Credit issued by Barclays Bank PLC in its capacity as the Issuing Lender shall be limited to standby letters of credit.

3.2 Procedure for Issuance of Letter of Credit. The Borrower may from time to time request that an Issuing Lender issue a Letter of Credit by delivering to such Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of such Issuing Lender, and such other certificates, documents and other papers and information as such Issuing Lender may request. Concurrently with the delivery of an Application to an Issuing Lender, the Borrower shall deliver a copy thereof to the Administrative Agent. Upon receipt of any Application, an Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by such Issuing Lender and the Borrower (but in no event shall any Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto). Promptly after issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower. Each Issuing Lender shall promptly give notice to the Administrative Agent of the issuance of each Letter of Credit issued by such Issuing Lender (including the face amount thereof), and shall provide a copy of such Letter of Credit to the Administrative Agent as soon as possible after the date of issuance.

3.3 Fees and Other Charges. (a) The Borrower will pay a fee on the aggregate drawable amount of all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans, shared ratably among the Revolving Credit Lenders in accordance with their respective Revolving Credit Percentages and

payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the aggregate drawable amount of all outstanding Letters of Credit issued by it of 1/4 of 1% per annum, payable quarterly in arrears on each L/C Fee Payment Date after the issuance date.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4 L/C Participations. (a) Each Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from each Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk, an undivided interest equal to such L/C Participant's Revolving Credit Percentage in each Issuing Lender's obligations and rights under each Letter of Credit issued by such Issuing Lender hereunder and the amount of each draft paid by such Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with each Issuing Lender that, if a draft is paid under any Letter of Credit issued by such Issuing Lender for which such Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Administrative Agent for the account of such Issuing Lender upon demand at such Issuing Lender's address for notices specified herein (and thereafter the Administrative Agent shall promptly pay to such Issuing Lender) an amount equal to such L/C Participant's Revolving Credit Percentage of the amount of such draft, or any part thereof, that is not so reimbursed. Each L/C Participant's obligation to pay such amount shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such L/C Participant may have against any Issuing Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other L/C Participant or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) If any amount (a "Participation Amount") required to be paid by any L/C Participant to an Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by such Issuing Lender under any Letter of Credit is paid to such Issuing Lender within three Business Days after the date such payment is due, such Issuing Lender shall so notify the Administrative Agent, which shall promptly notify the L/C Participants, and each L/C Participant shall pay to the Administrative Agent, for the account of such Issuing Lender, on demand (and thereafter the Administrative Agent shall promptly pay to such Issuing Lender) an amount equal to the product of (i) such Participation Amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any Participation Amount required

to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to the Administrative Agent for the account of the relevant Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Administrative Agent on behalf of such Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such Participation Amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans. A certificate of the Administrative Agent submitted on behalf of an Issuing Lender to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after an Issuing Lender has made payment under any Letter of Credit and has received from the Administrative Agent any L/C Participant's pro rata share of such payment in accordance with Section 3.4(a), such Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by such Issuing Lender), or any payment of interest on account thereof, such Issuing Lender will distribute to the Administrative Agent for the account of such L/C Participant (and thereafter the Administrative Agent will promptly distribute to such L/C Participant) its pro rata share thereof; provided, however, that in the event that any such payment received by such Issuing Lender shall be required to be returned by such Issuing Lender, such L/C Participant shall return to the Administrative Agent for the account of such Issuing Lender (and thereafter the Administrative Agent shall promptly return to such Issuing Lender) the portion thereof previously distributed by such Issuing Lender.

3.5 Reimbursement Obligation of the Borrower. The Borrower agrees to reimburse each Issuing Lender, on each date on which such Issuing Lender notifies the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by such Issuing Lender, for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by such Issuing Lender in connection with such payment (the amounts described in the foregoing clauses (a) and (b) in respect of any drawing, collectively, the "Payment Amount"). Each such payment shall be made to such Issuing Lender at its address for notices specified herein in lawful money of the United States of America and in immediately available funds. Interest shall be payable on each Payment Amount from the date of the applicable drawing until payment in full at the rate set forth in (i) until the second Business Day following the date of the applicable drawing, Section 2.13(b) and (ii) thereafter, Section 2.13(c). Each drawing under any Letter of Credit shall (unless an event of the type described in clause (i) or (ii) of Section 8.1(f) shall have occurred and be continuing with respect to the Borrower, in which case the procedures specified in Section 3.4 for funding by L/C Participants shall apply) constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to Section 2.2 of Base Rate Loans (or, at the option of the Administrative Agent and the Swing Line Lender in their sole discretion, a borrowing pursuant to Section 2.4 of Swing Line Loans) in the amount of such drawing. The Borrowing Date with respect to such borrowing shall be the first date on which a borrowing of Revolving Credit Loans (or, if applicable, Swing Line Loans) could be made, pursuant to Section 2.2 (or, if applicable, Section 2.4), if the Administrative Agent had received a notice of such borrowing at the time the Administrative Agent receives notice from the relevant Issuing Lender of such drawing under such Letter of Credit.

3.6 Obligations Absolute. The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower may have or have had against any Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with each Issuing Lender that such Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. No Issuing Lender shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Issuing Lender. The Borrower agrees that any action taken or omitted by an Issuing Lender under or in connection with any Letter of Credit issued by it or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of such Issuing Lender to the Borrower.

3.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the relevant Issuing Lender shall promptly notify the Borrower and the Administrative Agent of the date and amount thereof. The responsibility of the relevant Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit, in addition to any payment obligation expressly provided for in such Letter of Credit issued by such Issuing Lender, shall be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment appear on their face to be in conformity with such Letter of Credit.

3.8 Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

SECTION 4 REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the REIT and the Borrower hereby jointly and severally represent and warrant to each Agent and each Lender that:

4.1 Financial Condition. (a) The unaudited pro forma consolidated balance sheet of the REIT and its consolidated Subsidiaries as at June 30, 2012 (including the notes thereto) (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished to each Lender, has been prepared giving effect (as if such events had occurred on such date) to (i) the Loans to be made on the Effective Date and the use of proceeds thereof and (ii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on the best information available to the Borrower as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial position of the Borrower and its consolidated Subsidiaries as at June 30, 2012, assuming that the events specified in the preceding sentence had actually occurred at such date.

(b) The audited consolidated balance sheets of Chatham Predecessor as at December 31, 2009, and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on by and accompanied by an unqualified report from PricewaterhouseCoopers, copies of which have heretofore been furnished to each Lender, present fairly the consolidated financial condition of Chatham Predecessor as at such date, and the consolidated results of its operations and its consolidated cash flows for the fiscal year then ended.

(c) The audited consolidated balance sheets of the REIT as at December 31, 2010 and December 31, 2011, and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from PricewaterhouseCoopers, copies of which have heretofore been furnished to each Lender, present fairly the consolidated financial condition of the REIT as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of the REIT as at June 30, 2012, and the related unaudited consolidated statements of income and cash flows for the six-month period ended on such date, copies of which have heretofore been furnished to each Lender, present fairly the consolidated financial condition of the REIT as at such date, and the consolidated results of its operations and its consolidated cash flows for the six-month period then ended (subject to normal year-end audit adjustments).

(d) The unaudited operating statements for each Borrowing Base Property for the fiscal years ended December 31, 2009, December 31, 2010 and December 31, 2011, copies of which have heretofore been furnished to each Lender, present fairly the operating cash flow of each Borrowing Base Property for the respective fiscal years then ended. The unaudited operating statements for each Borrowing Base Property for the six-month period ended June 30, 2012, copies of which have heretofore been furnished to each Lender, presents fairly the operating cash flow of each Borrowing Base Property for the six-month period ended on such date.

(e) All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). The Group Members do not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term Leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph. During the period from December 31, 2011 to and including the date hereof there has been no Disposition by the REIT and its Subsidiaries of any material part of its business or Property.

4.2 No Change. Since December 31, 2009 there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

4.3 Corporate Existence; Compliance with Law. (a) Each of the Group Members (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate power and authority, and the legal right and all requisite governmental licenses, authorizations, consents and approvals to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (iii) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification and (iv) is in compliance with all Requirements of Law, except in the case of clauses (iii) and (iv) to the extent that the failure to so qualify or comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) All material certifications, permits, licenses and approvals, including without limitation, certificates of completion and occupancy permits and any applicable liquor license and hospitality license required for the legal use, occupancy and operation of each Borrowing Base Property as a hotel (collectively, the "Hotel Licenses"), have been obtained and are in full force and effect. Each Group Member is in compliance in all material respects with all Hotel Licenses, and no event (including, without limitation, any material violation of any law, rule or regulation) has occurred which would reasonably likely lead to the revocation or termination of any Hotel License or the imposition of any material restriction thereon. The Hotel Licenses listed on Schedule 4.3(b) constitute all Hotel Licenses of the Group Members. The use being made of each Borrowing Base Property is in conformity with the certificate of occupancy issued for such Borrowing Base Property.

4.4 Corporate Power; Authorization; Enforceable Obligations. Each Group Member has the corporate or other power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Group Member has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except (a) consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (b) the filings referred to in Section 4.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of any Group Member and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to any Group Member could reasonably be expected to have a Material Adverse Effect.

4.6 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the REIT or the Borrower, threatened by or against any Group Member or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

4.7 No Default. None of the Group Members is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 Ownership of Property; Liens. (a) Each of the Group Members has good record and marketable title, and with respect to the Borrowing Base Properties, title in fee simple to, or a valid leasehold interest in, all its Real Property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3. Such Liens in the aggregate do not materially and adversely affect the value, operation or use of the applicable Real Property (as currently used) or the Borrower's ability to repay the Loans. Except to the extent permitted by Section 7.3(b), there are no claims for payment for work, labor or materials affecting any Real Property which are or may become a Lien prior to, or of equal priority with, the Liens created by the Loan Documents.

(b) (i) No Loan Party has received written notice of the assertion of any material valid claim by anyone adverse to any Loan Party's ownership, or leasehold rights in and to any Borrowing Base Property and (ii) no Person has an option or right of first refusal to purchase all or part of any Borrowing Base Property or any interest therein which has not been waived (except as disclosed in writing and approved by the Required Lenders).

4.9 Intellectual Property. Each of the Group Members owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the REIT or the Borrower know of any valid basis for any such claim. The use of Intellectual Property by the Group Members does not infringe on the rights of any Person in any material respect.

4.10 Taxes. Each of the Group Members has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any taxes the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in

conformity with the Uniform System of Accounts and reconciled in accordance with GAAP have been provided on the books of the applicable Group Member, as the case may be); and no tax Lien has been filed, and, to the knowledge of the REIT and the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

4.11 Federal Regulations. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

4.12 Labor Matters. There are no strikes or other labor disputes against any Group Member or involving the operations of the Borrowing Base Properties pending or, to the knowledge of the REIT or the Borrower, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Group Members and to employees of any Manager who are principally involved in the operations of any of the Borrowing Base Properties (the "Hotel Employees") have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from the Group Members on account of employee health and welfare insurance, including payments in respect of the Hotel Employees, that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of the Group Members.

4.13 ERISA. Neither a Reportable Event nor a failure to meet the minimum funding standards and benefit limitations of Section 412, 430 or 436 of the Code with respect to any Single Employer Plan (whether or not waived) or the funding standards of Section 431 or 432 of the Code with respect to any Multiemployer Plan has occurred during the period of ownership of any of the Borrowing Base Properties by a Group Member or Affiliate, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or, to the knowledge of Borrower or any Commonly Controlled Entity, Insolvent.

4.14 Investment Company Act; Other Regulations. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

4.15 Subsidiaries. (a) The Subsidiaries listed on Schedule 4.15 constitute all the Subsidiaries of the REIT at the date hereof. Schedule 4.15 sets forth as of the Effective Date the name and jurisdiction of incorporation of each Subsidiary and, as to each Subsidiary, the percentage of each class of Capital Stock owned by each Group Member.

(b) There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of any Group Member, except as disclosed on Schedule 4.15.

4.16 Use of Proceeds. The proceeds of the Revolving Credit Loans, the Swing Line Loans and the Letters of Credit shall be used for general corporate purposes, including to refinance existing indebtedness, and funding acquisitions, redevelopment and expansion.

4.17 Environmental Matters. Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to result in the payment of a Material Environmental Amount:

(a) Each of the Group Members and all Real Property and facilities owned, leased, or otherwise operated by them: (i) is, and within the period of all applicable statutes of limitation has been to the knowledge of the Borrower, in compliance with all applicable Environmental Laws; (ii) holds or as applicable is covered by all Environmental Permits (each of which is in full force and effect) required for its current or intended operations; (iii) is, and within the period of all applicable statutes of limitation has been, in compliance with all applicable Environmental Permits; and (iv) to the extent within the control of the Borrower and its Subsidiaries: each of such Environmental Permits will be timely renewed and complied with and additional Environmental Permits that may be required will be timely obtained and complied with, without material expense; and compliance with any Environmental Law that is or is expected to become applicable to it will be timely attained and maintained, without material expense.

(b) Materials of Environmental Concern are not present at, on, under, in, or about any Real Property or facilities now or formerly owned, leased or operated by any Group Member, or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of any Group Member under any applicable Environmental Law or otherwise result in costs to any Group Member, or (ii) interfere with the Borrower's or any of its Subsidiaries' continued operations, or (iii) impair the fair saleable value of any Real Property owned or leased by any Group Member.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which any Group Member is, or to the knowledge of any Group Member will be, named as a party that is pending or, to the knowledge of any Group Member, threatened.

(d) No Group Member has received any notice of, or has any knowledge of, any Environmental Claim or any completed, pending, or to the knowledge of any Group Member, proposed or threatened investigation or inquiry concerning the presence or release of any Materials of Environmental Concern at any Real Property or facilities owned, leased, or otherwise operated by them.

(e) None of the Group Members has received any written request for information, or been notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Materials of Environmental Concern, or with respect to any Real Property or facilities owned, leased, or otherwise operated by them.

(f) None of the Group Members, or as applicable any Real Property or facilities owned, leased, or otherwise operated by them, has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(g) None of the Group Members has expressly assumed or retained, by contract, conduct or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Materials of Environmental Concern.

(h) No Borrowing Base Properties or any other Real Property are subject to any liens imposed pursuant to Environmental Law.

4.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document or any other document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents or in any other documents, certificates and statements furnished to the Agents and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

4.19 Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when stock certificates representing such Pledged Stock are delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 4.19(a) (which financing statements have been duly completed and delivered to the Administrative Agent), the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 7.3).

(b) Each of the Mortgages is effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable Lien on the Borrowing Base Properties described therein and proceeds thereof; each Mortgage shall constitute, or shall continue to constitute, as applicable, a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Borrowing Base Properties described therein and the proceeds thereof, as security for the Obligations (as defined in the relevant Mortgage), in each case prior and superior in right to any other Person (other than Persons holding Liens or other encumbrances or rights permitted by the relevant Mortgage) (i) in the case of the Mortgages executed and delivered prior to the Effective Date, as of the Effective Date or, subject to the extent necessary, upon the filing of the Mortgage Amendments in the appropriate recording office with respect to such Mortgage and (ii) in the case of any Mortgage to be executed and delivered pursuant to Section 5.3, when such Mortgages and the related fixture filings, if any, are filed in the recording office designated by the Borrower. Schedule 1.1A lists, as of the Effective Date, each parcel of owned Real Property and each leasehold interest in Real Property located in the United States and held by the Borrower or any of its Subsidiaries.

4.20 Solvency. Each Loan Party is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

4.21 Regulation H. No Mortgage encumbers improved Real Property which is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968 (each, a "Flood Hazard Property") (except any Borrowing Base Properties as to which such flood insurance as required by Regulation H has been obtained and is in full force and effect as required by this Agreement).

4.22 REIT Status; Borrower Tax Status. The REIT has been organized and will be operated in a manner that will allow it to qualify for REIT Status commencing with its taxable year ending December 31, 2010 and it will meet the requirements for REIT Status. The Borrower is not an association taxable as a corporation under the Code.

4.23 Insurance. The Group Members obtained and has delivered to the Administrative Agent certified copies of insurance certificates reflecting the insurance coverages, amounts and other requirements for insurance policies set forth in this Agreement. No claims have been made under any such policies, and no Person, including the Group Members, has done, by act or omission, anything which would impair the coverage of any such policies.

4.24 Casualty; Condemnation. (a) No material Condemnation has been commenced or, to the REIT's or the Borrower's knowledge, is contemplated with respect to all or any part of any Borrowing Base Property or for the relocation of roadways providing material access to any Borrowing Base Property, other than any Condemnation for which the Administrative Agent shall have received notice in accordance with Section 6.7 and the Borrowing Base Properties are not the subject of any adverse zoning proceeding, except as could not reasonably be expected to cause a Material Adverse Effect.

(b) No material Casualty has occurred with respect to all or any part of any Borrowing Base Property, other than any Casualty for which the Administrative Agent shall have received notice in accordance with Section 6.7 and the Improvements have not been damaged (ordinary wear and tear excepted) and not repaired, except as could not reasonably be expected to cause a Material Property Event.

4.25 Compliance with Anti-Terrorism, Embargo and Anti-Money Laundering Laws. (a) No Group Member or REIT Controlled Affiliate has, directly or indirectly (i) engaged in business dealings with any party listed on the Specially Designated Nationals List or other similar lists maintained by OFAC, or in any related Executive Order issued by the President, (ii) conducted business dealings with a party subject to sanctions administered by OFAC or (iii) derived income from business dealings with a party subject to sanctions administered by OFAC.

(b) No Group Member or REIT Controlled Affiliate has derived any of its assets in violation of the anti-money laundering or anti-terrorism laws or regulations of the United States, including but not limited to the USA PATRIOT Act, the Money Laundering Control Act, the Bank Secrecy Act and any related Executive Order issued by the President.

(c) No Group Member or REIT Controlled Affiliate has failed to comply with applicable anti-bribery and anti-corruption laws and regulations (including the FCPA), including failing to comply in any manner that may result in the forfeiture of the Collateral or the proceeds of the Loans or a claim of forfeiture of the Collateral or the proceeds of the Loans.

4.26 Property Condition. Except as could not reasonably be expected to have a Material Adverse Effect, (a) all Borrowing Base Properties comply with all Requirements of Law, including all subdivision and platting requirements, without reliance on any adjoining or

neighboring property; (b) the Improvements comply with all Requirements of Law regarding access and facilities for handicapped or disabled persons; (c) no Group Member has directly or indirectly conveyed, assigned, or otherwise disposed of, or transferred (or agreed to do so) any development rights, air rights, or other similar rights, privileges, or attributes with respect to any Borrowing Base Properties, including those arising under any zoning or property use ordinance or other Requirements of Law; (d) all utility services necessary for the use of the Borrowing Base Properties and the Improvements and the operation thereof for their intended purpose are available at the Borrowing Base Property; (e) except as otherwise permitted in the Loan Documents, no Group Member has made any contract or arrangement of any kind the performance of which by the other party thereto would give rise to Liens on the Borrowing Base Properties; (f) no Borrowing Base Property is part of a larger tract of Real Property owned by the Borrower or any other Group Member or otherwise included under any unity of title or similar covenant with other Real Property not owned by a Loan Party and each Borrowing Base Property constitutes a separate tax lot or lots with a separate tax assessment or assessments for such Borrowing Base Property and the Improvements thereon, independent of those for any other Real Property or improvements; (g) the current and anticipated use of the Borrowing Base Properties complies in all material respects with all applicable zoning ordinances, regulations, certificates of occupancy issued for the Borrowing Base Properties and restrictive covenants affecting the Borrowing Base Properties without the existence of any variance, non-complying use, nonconforming use, or other special exception, all use restrictions of any Governmental Authority having jurisdiction have been satisfied, and no violation of any Requirements of Law or regulation exists with respect thereto; (h) all certifications, permits, licenses and approvals, including without limitation, certificates of completion and occupancy permits, required for the legal use, occupancy and operation of the Borrowing Base Properties have been obtained are in full force and effect; (i) the Borrowing Base Properties, including, without limitation, all buildings, improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, are in good condition, order and repair in all material respects; there exists no structural or other material defects or damages in the Borrowing Base Properties, whether latent or otherwise, and Borrower has not received notice from any insurance company or bonding company of any defects or inadequacies in the Borrowing Base Properties, or any part thereof, which would adversely affect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond; and (j) all of the Improvements which were included in determining the appraised value of each Borrowing Base Property lie wholly within the boundaries and building restriction lines of such Borrowing Base Property, and no improvements on adjoining properties encroach upon the Borrowing Base Property, and no easements or other encumbrances upon the Borrowing Base Property encroach upon any of the Improvements, so as to materially affect the value or marketability of the Borrowing Base Property except those which are insured against by the applicable Title Insurance Policy.

4.27 Management Agreements; Franchise Agreements. Each Management Agreement and Franchise Agreement is in full force and effect, there is no default thereunder by any party thereto and no event has occurred that, with the passage of time or giving of notice, would constitute a default thereunder.

4.28 Operating Leases. Each Operating Lease is in full force and effect, and there is no default thereunder by any party thereto and no event has occurred that, with the passage of time or giving of notice, would constitute a default thereunder.

4.29 Acceptable Leases. Each applicable Loan Party has delivered true, correct and complete copies of each Acceptable Lease, together with all related agreements, to the Administrative Agent.

SECTION 5 CONDITIONS PRECEDENT

5.1 Conditions to Effectiveness. The agreement of each Lender to make the initial extension of credit requested to be made by it hereunder and the effectiveness of the amendment and restatement of the Existing Credit Agreement by this Agreement is subject to the satisfaction of the following conditions precedent:

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the REIT and the Borrower, (ii) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of the REIT, the Borrower and each Subsidiary (other than any Excluded Subsidiary, any Excluded Foreign Subsidiary or any Subsidiary of an Excluded Foreign Subsidiary), (iii) a Mortgage covering each of the Borrowing Base Properties, executed and delivered by a duly authorized officer of each Loan Party party thereto and (iv) an executed counterpart to this Agreement executed and delivered by each Lender.

(b) Existing Mortgages. The Administrative Agent shall have received, with respect to each of the Existing Mortgages, to the extent deemed reasonably necessary by the Administrative Agent or as required by the Title Insurance Company to provide title insurance pursuant to Section 5.1(q) below, a Mortgage Amendment executed and delivered by a duly authorized officer of the relevant Loan Party.

(c) Zoning Reports. To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent shall have received with respect to each Initial Borrowing Base Property (i) letters or other evidence with respect to each Initial Borrowing Base Property from the appropriate municipal authorities (or other Persons) concerning applicable zoning and building laws, and (ii) either (A) an ALTA 3.1 zoning endorsement for the applicable Title Insurance Policy or (B) a zoning opinion letter, in each case in substance reasonably satisfactory to the Administrative Agent.

(d) Pro Forma Balance Sheet; Financial Statements. The Lenders shall have received (i) the Pro Forma Balance Sheet, (ii) audited consolidated financial statements of Chatham Predecessor for the 2009 fiscal year, (iii) audited consolidated financial statements of the REIT for the 2010 and 2011 fiscal years, and (iv) unaudited interim consolidated financial statements of the REIT for each quarterly period ended subsequent to the date of the latest applicable financial statements delivered pursuant to clause (iii) of this paragraph as to which such financial statements are available; and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of the REIT and its Subsidiaries, as reflected in the financial statements or projections delivered to the Agents and the Lenders prior to the Effective Date.

(e) Approvals. All governmental and third party approvals (including landlords' and other consents) necessary in connection with the continuing operations of the Group Members and the transactions contemplated hereby shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the financing contemplated hereby.

(f) Licenses. To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent shall have received for each Initial Borrowing Base Property copies of all Hotel Licenses, including all liquor and hospitality licenses.

(g) Borrowing Base Property Agreements. To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent shall have received with respect to each Initial Borrowing Base Property (i) a true, correct and complete copy of each Management Agreement and Franchise Agreement, (ii) a true, correct and complete copy of each Operating Lease and any agreement relating to such Operating Lease, including without limitation, an owner agreement, if any, and (iii) a true, correct and complete copy of the PIP Plan for each Borrowing Base Property, if any, each of which shall be satisfactory in form and substance to the Administrative Agent.

(h) Appraisals. The Administrative Agent, the Arrangers and the Lenders shall have received a recent Appraisal for each Initial Borrowing Base Property, and such documents shall be satisfactory to the Administrative Agent, the Arrangers and the Lenders in their sole discretion.

(i) Fees. The Lenders, the Arrangers and the Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including reasonable fees, disbursements and other charges of counsel to the Agents), on or before the Effective Date. Unless otherwise consented by the Administrative Agent, all such amounts shall be paid with proceeds of Loans made on the Effective Date and will be reflected in the funding instructions given by the Borrower to the Administrative Agent on or before the Effective Date.

(j) Solvency Analysis. The Lenders shall have received a reasonably satisfactory solvency analysis certified by the chief financial officer of the REIT which shall document the solvency of the REIT and its Subsidiaries considered as a whole after giving effect to the transactions contemplated hereby.

(k) Lien Searches. The Administrative Agent shall have received the results of a recent lien search in each of the jurisdictions in which Uniform Commercial Code financing statement or other filings or recordations should be made to evidence or perfect security interests in all assets of the Group Members, and such search shall reveal no liens on any of the assets of the Group Members, except for Liens permitted by Section 7.3.

(l) Environmental Matters. The Administrative Agent shall have received, to the extent requested by the Administrative Agent and not previously delivered, an Acceptable Environmental Report for each Initial Borrowing Base Property, prepared by an environmental consultant acceptable to the Administrative Agent, in form, scope and substance satisfactory to the Administrative Agent, together with a letter or equivalent from the environmental consultant permitting the Agents and the Lenders to rely on the Acceptable Environmental Report as if addressed to and prepared for each of them. Each such Acceptable Environmental Report shall identify no environmental condition reasonably likely to result in a Material Environmental Amount.

(m) Closing Certificate. The Administrative Agent shall have received a certificate of each Loan Party, dated the Effective Date, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(n) Legal Opinions. The Administrative Agent shall have received the executed legal opinion of Hunton & Williams LLP, counsel to the Group Members, in form and substance acceptable to the Administrative Agent. Such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require and shall be addressed to the Administrative Agent and the Lenders.

(o) Pledged Stock; Stock Powers; Acknowledgment and Consent; Pledged Notes. The Administrative Agent shall have received (i) the certificates representing the shares of Capital Stock, if any, pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, (ii) an Acknowledgment and Consent, substantially in the form of Annex II to the Guarantee and Collateral Agreement, duly executed by any issuer of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement that is not itself a party to the Guarantee and Collateral Agreement and (iii) each promissory note pledged pursuant to the Guarantee and Collateral Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank satisfactory to the Administrative Agent) by the pledgor thereof, in the case of clauses (i) and (iii) to the extent not previously delivered on or prior to the Effective Date.

(p) Filings, Registrations and Recordings. To the extent not previously delivered on or prior to the Effective Date, each document (including, without limitation, any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 7.3), shall have been filed, registered or recorded or shall have been delivered to the Administrative Agent be in proper form for filing, registration or recordation.

(q) Title Insurance; Flood Insurance. (i) The Administrative Agent shall have received, and the title insurance company issuing the policies referred to in clause (ii) below (the "Title Insurance Company") shall have received, maps or plats of an as-built survey (each, a "Survey") of the sites of the Borrowing Base Property certified to the Administrative Agent and the Title Insurance Company in a manner satisfactory to them, dated a date satisfactory to the Administrative Agent and the Title Insurance Company by an independent professional licensed land surveyor satisfactory to the Administrative Agent and the Title Insurance Company, which maps or plats and the surveys on which they are based shall be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 2005, and, without limiting the generality of the foregoing, there shall be surveyed and shown on such maps, plats or surveys the following: (A) the locations on such sites of all the buildings, structures and other improvements and the established building setback lines; (B) the lines of streets abutting the sites and width thereof; (C) all access and other easements appurtenant to the sites; (D) all roadways, paths, driveways, easements, encroachments and overhanging projections and similar encumbrances affecting the site, whether recorded, apparent from a physical inspection of the sites or otherwise known to the surveyor; (E) any encroachments on any adjoining property by the building structures and improvements on the sites; (F) if the site is described as being on a filed map, a legend relating the survey to said map; and (G) the flood zone designations, if any, in which such Borrowing Base Property are located.

(ii) The Administrative Agent shall have received in respect of each Borrowing Base Property a mortgagee's title insurance policy (or policies) or marked up unconditional binder for such insurance. Each such policy shall (A) be in an amount satisfactory to the Administrative Agent; (B) be issued at ordinary rates; (C) insure that the Mortgage insured thereby creates a valid first Lien on such Borrowing Base Property free and clear of all defects and encumbrances, except as disclosed therein; (D) name the Administrative Agent for the benefit of the Secured Parties as the insured thereunder; (E) be in the form of ALTA Loan Policy – 2006 (or equivalent policies); (F) contain such endorsements and affirmative coverage as the Administrative Agent may reasonably request and (G) be issued by title companies satisfactory to the Administrative Agent (including any such title companies acting as co-insurers or reinsurers, at the option of the Administrative Agent). The Administrative Agent shall have received evidence satisfactory to it that all premiums in respect of each such policy, all charges for mortgage recording tax, and all related expenses, if any, have been paid.

(iii) Evidence as to whether any Borrowing Base Property is a Flood Hazard Property and if such Borrowing Base Property is a Flood Hazard Property, evidence of compliance with federally-mandated flood insurance requirements, including (1) the Borrower's written acknowledgment of receipt of written notification required pursuant to Section 208(e)(3) of Regulation H of the Board from the Administrative Agent (x) as to the fact that such Property is a Flood Hazard Property and (y) as to whether the community in which each such Flood

Hazard Property is located is participating in the National Flood Insurance Program and (2) copies of insurance policies or certificates of insurance evidencing flood insurance satisfactory to the Administrative Agent and naming the Administrative Agent as sole loss payee on behalf of the Secured Parties under a standard mortgagee endorsement, that (A) covers any parcel of improved Real Property that is encumbered by any Mortgage, (B) is written in an amount which is commercially available at a reasonable cost, and (C) has a term ending not later than the maturity of the indebtedness secured by such Mortgage or that may be renewed to such maturity date.

(iv) The Administrative Agent shall have received a copy of all recorded documents referred to, or listed as exceptions to title in, the title policy or policies referred to in clause (ii) above and a copy of all other material documents affecting the Borrowing Base Properties.

(r) Other Property Reports. To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent, the Arrangers and the Lenders shall have received for each Initial Borrowing Base Property, in form and substance reasonably satisfactory to the Administrative Agent, the Arrangers and the Lenders, (i) a current property condition and structural reports, (ii) seismic reports and (iii) a STAR Report.

(s) Insurance. (i) The Administrative Agent, the Arrangers and the Lenders shall be satisfied with the amounts, types and terms and conditions of all insurance maintained by the Group Members.

(ii) To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent shall have received insurance certificates satisfying the requirements of Section 6.5.

(t) Subordination Agreements. To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent shall have received a Subordination Agreement covering each of the Borrowing Base Properties, executed and delivered by a duly authorized officer and each Loan Party thereto

(u) Blocked Account Control Agreements. To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent shall have received deposit account control agreements in form and substance reasonably satisfactory to the Administrative Agent granting, with respect to each Borrowing Base Property, the Subsidiary of the REIT that is a lessor under the relevant Operating Lease "control" for purposes of Article 9 of the Uniform Commercial Code or as necessary to perfect such security interest under any other applicable law (such agreements, each as amended, restated, supplemented or otherwise modified from time to time, the "Blocked Account Control Agreements"), executed and delivered by a duly authorized officer of each party a party thereto, covering each Lockbox Account, together with legal opinions satisfactory to the Administrative Agent; provided that, all interests of such Subsidiary in such Blocked Account Control Agreements, together with each related Lockbox Account, shall be assigned to the Administrative Agent, for the benefit of the Secured Parties, pursuant to the Guarantee and Collateral Agreement.

(v) USA PATRIOT Act. The Lenders shall have received, sufficiently in advance of the Effective Date, all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act.

(w) Related Agreements. The Administrative Agent shall have received, to the extent not previously delivered, true, correct and complete copies, certified as to authenticity by the Borrower, a copy of any debt instrument, security agreement or other material contract to which the Group Members may be a party that in each case is listed on Schedule 7.2(d) (the "Existing Indebtedness").

(x) Leaseco Security Documents. To the extent not previously delivered on or prior to the Effective Date, the Administrative Agent shall have received true, correct and complete copies of the Leaseco Security Documents, executed and delivered by a duly authorized officer of each Group Member party thereto.

(y) No Litigation. There shall exist no action, suit, investigation or proceeding, pending or threatened, in any court or before any arbitrator or governmental authority that purports to affect the Loan Parties in a materially adverse manner or any transaction contemplated hereby, or that could reasonably be expected to have a Material Adverse Effect or a material adverse effect on any transaction contemplated hereby or on the ability of the Loan Parties to perform their obligations under the Loan Documents.

(z) No Material Adverse Effect. No event or condition shall have occurred since the date of the Group Members' most recent audited financial statements delivered to the Administrative Agent which has or could reasonably be expected to have a Material Adverse Effect. No material adverse change in or material disruption of conditions in the market for syndicated bank credit facilities or the financial, banking or capital markets generally shall have occurred that, in the reasonable judgment of the Arrangers, would impair the syndication of the Loans.

5.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it hereunder on any date (including, without limitation, its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, provided that, (w) to the extent that any such representation or warranty relates to a specific earlier date, they shall be true and correct as of such earlier date, (x) to the extent that such representation or warranty relates to a Borrowing Base Property being removed from the Borrowing Base, the representation and warranties shall be true and correct without regard to such removed Borrowing Base Property and (y) to the extent that any such representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Borrowing Base Certificate. The Administrative Agent shall have received and be satisfied in all respects with, a completed Borrowing Base Certificate as of the last day of the fiscal quarter for which financial statements are available and signed by a Principal Financial Officer.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

5.3 Conditions to the Addition of a Borrowing Base Property. (a) The Borrower may request the addition of any Real Property (other than the Initial Borrowing Base Properties) as a Borrowing Base Property by submitting a request in writing to the Administrative Agent which request shall instruct and authorize the Administrative Agent to obtain the Third Party Reports for such Real Property (at the Borrower's sole cost and expense). Each such written request shall be accompanied by the Preliminary Diligence Materials for such Real Property.

(b) The addition of any Real Property to the Borrowing Base pursuant to a request submitted pursuant to Section 5.3(a) shall be subject to the satisfaction of each of the following conditions:

(i) the Administrative Agent shall have received each of the Preliminary Diligence Materials and final Third Party Reports for such Real Property no later than the date that is 30 days after the date of the Borrower's written request delivered pursuant to Section 5.3(a) with respect to such Real Property,

(ii) such Real Property shall be an Eligible Borrowing Base Property and the Borrower shall have delivered to the Administrative Agent each of the documents described in the definition of "Eligible Borrowing Base Property" no later than the date that is 30 days after the date of the Borrower's written request delivered pursuant to Section 5.3(a) with respect to such Real Property, and

(iii) subject to Section 5.3(c), the Supermajority Lenders shall have approved the addition of such Real Property to the Borrowing Base.

For the avoidance of doubt, in the event that the Borrower has failed to deliver the Preliminary Diligence Materials, the final Third Party Reports and all other documentation required to be delivered pursuant to the definition of "Eligible Borrowing Base Property" for such Real Property on or prior to the date that is 30 days after the date of the Borrower's written request delivered pursuant to Section 5.3(a) with respect to such Real Property, the Administrative Agent may in its sole discretion require that the Borrower update any of such documents prior to submitting the request to the Lenders for approval.

(c) Upon receipt by the Administrative Agent of the Preliminary Diligence Materials, the final Third Party Reports and all other documentation required to be delivered pursuant to the definition of "Eligible Borrowing Base Property" for such Real Property from the Borrower, the Administrative Agent shall promptly distribute such materials to the Lenders (which distribution may be effected by posting such materials to an Intralinks or SyndTrak workspace), together with a request that the Lenders approve the addition of such Real Property to the Borrowing Base (the "Approval Request Date"). If the Administrative Agent does not receive a written notice from a Lender objecting to the inclusion of such Real Property as a Borrowing Base Property on or prior to the date that is ten Business Days after the Approval Request Date, such Lender shall be deemed to have approved the inclusion of such Real Property as a Borrowing Base Property.

(d) Upon the effectiveness of any new Real Property added as a Borrowing Base Property, the Borrower may deliver to the Administrative Agent an updated Borrowing Base Certificate giving pro forma affect to such new Borrowing Base Property as of the date of the most recent Borrowing Base Certificate previously delivered pursuant to Sections 5.2(c), 5.3, 5.4 and 6.12.

5.4 Conditions to the Release of a Borrowing Base Property. The release of any Borrowing Base Property at the written request of the Borrower delivered to the Administrative Agent shall be subject to the satisfaction of each of the following conditions:

(a) if at any time there are less than five Borrowing Base Properties (or after giving effect to any release, there would be less than five Borrowing Base Properties), the consent of the Supermajority Lenders is obtained to release such Real Property;

(b) if at any time there are less than four Borrowing Base Properties (or after giving effect to any release, there would be less than four Borrower Base Properties), the consent of all Lenders is obtained to release such Real Property;

(c) no Default or Event of Default shall have occurred and be continuing on such date immediately prior to or after giving effect to the release of such Real Property from the Borrowing Base;

(d) the Administrative Agent shall have received a certificate of a Principal Financial Officer (x) certifying that after giving pro forma effect to the release of such Real Property from the Borrowing Base, the Total Revolving Extensions of Credit shall not exceed the Maximum Facility Availability and (y) containing all information and calculations necessary, after giving pro forma effect to the release of such Real Property from the Borrowing Base, for determining pro forma compliance with the provisions of Section 7.1 hereof;

(e) the removal occurs in connection with either (x) a sale, financing or other transaction involving the Borrowing Base Property being removed from the Borrowing Base or (y) a transaction undertaken by the Borrower pursuant to which the removal of the Borrowing Base Property is necessary or advisable to facilitate such transaction;

(f) all representations and warranties in the Loan Documents are true and accurate in all material respects at the time of such release and immediately after giving effect to such release, (x) to the extent that any such representation or warranty relates to a specific earlier date, they shall be true and correct as of such earlier date, (y) to the extent that such representation or warranty relates to a Borrowing Base Property being removed from the Borrowing Base, the representation and warranties shall be true and correct without regard to such removed Borrowing Base Property, and (z) any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates; and

(g) the Administrative Agent shall have received an updated Borrowing Base Certificate giving pro forma affect to the release of such Borrowing Base Property from the Borrowing Base as of the date of the most recent Borrowing Base Certificate previously delivered pursuant to Sections 5.2(c), 5.3, 5.4 and 6.12.

SECTION 6 AFFIRMATIVE COVENANTS

The REIT and the Borrower hereby jointly and severally agree that, so long as the Revolving Credit Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, each of the REIT and the Borrower shall and shall cause each of its Subsidiaries to:

6.1 Financial Statements. Furnish to each Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the REIT, a copy of the audited consolidated balance sheet of the REIT and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of such year and for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by PricewaterhouseCoopers or other independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event within 90 days after the end of each fiscal year of the REIT, a copy of the unaudited operating statement for each Borrowing Base Property for such year, setting forth in each case in comparative form the figures as of the end of such year and for the previous year;

(c) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the REIT, the unaudited consolidated balance sheet of the REIT and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of such quarter and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments); and

(d) as soon as available, but in any event within 45 days after the end of each of the first three quarterly periods of each fiscal year of the REIT, a copy of the unaudited operating statement for each Borrowing Base Property for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of such quarter and for the corresponding period in the previous year;

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

6.2 Certificates; Other Information. Furnish to each Agent and each Lender, or, in the case of clause (h), to the relevant Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate (it being understood that such certificate shall be limited to the items that independent certified public accountants are permitted to cover in such certificates pursuant to their professional standards and customs of the profession);

(b) concurrently with the delivery of any financial statements pursuant to Section 6.1, (i) a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii)(x) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Group Members with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the REIT, as the case may be, (y) to the extent not previously disclosed to the Administrative Agent, a listing of any Intellectual Property acquired by any Loan Party since the date of the most recent list delivered pursuant to this clause (y) (or, in the case of the first such list so delivered, since the Effective Date) and (z) any UCC financing statements or other filings specified in such Compliance Certificate as being required to be delivered therewith;

(c) as soon as available, and in any event no later than 60 days after the end of each fiscal year of the REIT, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the REIT and its Subsidiaries as of

the end of the following fiscal year, and the related consolidated statements of projected cash flow, projected changes in financial position and projected income and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(d) within 60 days after the end of each fiscal quarter of the Borrower, a narrative discussion and analysis of the financial condition and results of operations of the REIT and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the portion of the Projections covering such periods and to the comparable periods of the previous year;

(e) (i) within five days after the same are sent, copies, including copies sent electronically, of all financial statements and reports that the REIT or the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that the REIT or the Borrower may make to, or file with, the SEC; and (ii) within five days after the receipt thereof, copies of all correspondence received from the SEC concerning any material investigation or inquiry regarding financial or other operational results of any Group Member;

(f) on or before the date which is 45 days after the end of each fiscal quarter of the Borrower, (i) the most current STAR Reports for each of the immediately preceding three consecutive months ending during such quarter in the form then available to the Borrower reflecting market penetration and relevant hotel properties competing with each Borrowing Base Property and (ii) occupancy statistics for the Borrowing Base Properties on a combined basis as well as for each individual Borrowing Base Property, including Average Daily Rate, Occupancy Rate and RevPAR;

(g) at the request of the Administrative Agent, the Borrower shall execute a certificate in form satisfactory to the Administrative Agent listing the trade names under which the Loan Parties intend to operate each Borrowing Base Property, and representing and warranting that the Loan Parties do business under no other trade name with respect to such Borrowing Base Property; and

(h) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP with respect thereto have been provided on the books of the relevant Group Member.

6.4 Conduct of Business and Maintenance of Existence; Compliance; Hotel Licenses. (a)(i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect; and (c) preserve and maintain all Hotel Licenses necessary for the operation of each Borrowing Base Property as a hotel with related retail uses.

6.5 Maintenance of Property; Insurance. (a)(i)Maintain, preserve and protect all of its material Property and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (ii) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; (iii) use the standard of care typical in the industry in the operation and maintenance of its facilities; and (iv) keep the Borrowing Base Properties in good order, repair, operating condition, and appearance, causing all necessary repairs, renewals, replacements, additions, and improvements to be promptly made, and not allow any of the Borrowing Base Properties to be misused, abused or wasted or to deteriorate (ordinary wear and tear excepted).

(b) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all Requirements of Law applicable to the Loan Parties and the Borrowing Base Properties (and the Improvements thereon and the use thereof), including, without limitation, building and zoning ordinances and codes and certificates of occupancy. There shall never be committed by any Group Member, and neither the REIT nor the Borrower shall permit any other Person in occupancy of or involved with the operation or use of the Borrowing Base Properties to commit any act or omission affording the federal government or any state or local government the right of forfeiture against any Borrowing Base Property or any part thereof or any monies paid in performance of any Loan Party's obligations under any of the Loan Documents. Each of the REIT and the Borrower hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording such right of forfeiture. Each of the REIT and the Borrower shall at all times maintain, preserve and protect all franchises and trade names and preserve all the remainder of its property used or useful in the conduct of its business.

(c) Obtain and maintain, or cause to be maintained, insurance for the Group Members and the Borrowing Base Properties providing at least the following coverages:

(i) property insurance with respect to all insurable property, against loss or damage by fire, lightning, windstorm, explosion, hail, tornado and such additional hazards as are presently included in special form (also known as "all-risk") coverage and against any and all acts of terrorism and such other insurable

hazards as the Administrative Agent may require, (A) in an amount equal to 100% of the full replacement cost (the "Full Replacement Cost") which for purposes of this Agreement shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation; (B) containing an agreed value coverage waiving all co-insurance provisions; (C) providing for no deductible in excess of $25,000 for all such insurance coverage; provided, however, with respect to named windstorm, earthquake, flood and terrorism coverage, providing for a deductible satisfactory to the Administrative Agent in its sole discretion; and (D) if any of the Borrowing Base Properties or the use of the Borrowing Base Properties shall at any time constitute legal non-conforming structures or uses, coverage for loss due to operation of law in an amount equal to the Full Replacement Cost, coverage for demolition costs and coverage for increased costs of construction. In addition, the Borrower shall obtain: (y) if any portion of any Borrowing Base Property is currently or at any time in the future located in a federally designated "special flood hazard area", flood hazard insurance in an amount equal to the lesser of (1) the outstanding amount of the Obligations or (2) the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended from time to time or such greater amount as the Administrative Agent shall require, and (z) earthquake insurance in amounts and in form and substance satisfactory to the Administrative Agent in the event the Borrowing Base Property is located in an area with a high degree of seismic activity; provided that the insurance pursuant to clauses (y) and (z) hereof shall be on terms consistent with the comprehensive all risk insurance policy required under this subsection (i);

(ii) business income or rental loss insurance (A) with loss payable to the Administrative Agent, for the benefit of the Secured Parties; (B) covering all risks required to be covered by the insurance provided for in subsection (i) above; (C) in an amount equal to 100% of the gross revenue less non-continuing expenses from the operation of any Borrowing Base Property for a period of at least 18 months after the date of the Casualty; and (D) containing an extended period of indemnity endorsement which provides that after the physical loss to any Borrowing Base Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of 365 days from the date that such Borrowing Base Property is repaired or replaced and operations are resumed, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period. The amount of such business income or rental loss insurance shall be determined prior to the date hereof and at least once each year thereafter based on the Borrower's reasonable estimate of the gross revenues from the Property for the succeeding twelve month period. All proceeds payable to the Administrative Agent, for the benefit of the Secured Parties, pursuant to this subsection shall be held by the Administrative Agent and shall be applied to the obligations secured by the Loan Documents from time to time due and payable hereunder; provided, however, that nothing herein contained shall be deemed to relieve the Borrower of

its obligations to pay the obligations secured by the Loan Documents on the respective dates of payment provided for in this Agreement and the other Loan Documents except to the extent such amounts are actually paid out of the proceeds of such business income insurance;

(iii) at all times during which structural construction, repairs or alterations are being made with respect to any Borrowing Base Property, and only if such Borrowing Base Property coverage form does not otherwise apply, (A) owner's contingent or protective liability insurance, otherwise known as Owner Contractor's Protective Liability, covering claims not covered by or under the terms or provisions of the below-mentioned commercial general liability insurance policy and (B) the insurance provided for in subsection (i) above written in a so-called builder's risk completed value form (1) on a non-reporting basis, (2) against all risks insured against pursuant to subsection (i) above, (3) including permission to occupy any Borrowing Base Property and (4) with an agreed amount endorsement waiving co-insurance provisions;

(iv) comprehensive boiler and machinery insurance, if steam boilers or other pressure-fixed vessels are in operation, in amounts as shall be reasonably required by the Administrative Agent on terms consistent with the commercial property insurance policy required under subsection (i) above providing no deductible in excess of $100,000;

(v) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about any Borrowing Base Property, such insurance (A) to be on the so-called "occurrence" form with a combined limit of not less than $2,000,000.00 in the aggregate per location and $1,000,000.00 per occurrence; (B) to continue at not less than the aforesaid limit until required to be changed by the Administrative Agent in writing by reason of changed economic conditions making such protection inadequate and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations on an "if any" basis; (3) independent contractors; (4) blanket contractual liability for all written contracts and (5) contractual liability covering the indemnities contained in Article 33 of the Mortgages to the extent the same is available;

(vi) automobile liability coverage for all owned and non-owned vehicles, including rented and leased vehicles containing minimum limits per occurrence of $1,000,000.00;

(vii) worker's compensation subject to the worker's compensation laws of the applicable state and employer's liability with minimum limits per incident of $1,000,000;

(viii) umbrella and excess liability insurance in an amount not less than $25,000,000.00 per occurrence affording excess coverage on terms consistent with the commercial general liability, employer liability and automobile liability required under subsections (v), (vi) and (vii); and

(ix) upon 60 days' written notice, such other reasonable insurance, including, but not limited to, sinkhole or land subsidence insurance, and in such reasonable amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the such Borrowing Base Property located in or around the region in which the such Borrowing Base Property is located.

(d) All insurance provided for in Section 6.5(c) hereof, shall be obtained under valid and enforceable policies (collectively, the "Policies" or in the singular, the "Policy"), and shall be subject to the approval of the Administrative Agent as to insurance companies, amounts, deductibles, loss payees and insureds. Unless approved by the Administrative Agent, the Policies shall be issued by financially sound and responsible insurance companies authorized to do business in the State and having a rating of "A:VII" or better in the current Best's Insurance Reports and a claims paying ability rating of "A" or better by at least two of the Rating Agencies including, (i) S&P, (ii) Fitch, and (iii) Moody's. The Policies described in Section 6.5(c) hereof (other than those strictly limited to liability protection) shall designate the Administrative Agent as loss payee.

(e) Any blanket insurance Policy shall specifically allocate to each Borrowing Base Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Borrowing Base Property in compliance with the provisions of Section 6.5(c) hereof.

(f) All Policies provided for or contemplated by Section 6.5(c) hereof, except for the Policy referenced in Section 6.5(c)(vii) of this Agreement, shall name the Borrower as the insured and the Administrative Agent, for the benefit of the Secured Parties, as the additional insured, as its interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a so-called New York standard non-contributing mortgagee clause in favor of Administrative Agent, for the benefit of the Secured Parties, providing that the loss thereunder shall be payable to the Administrative Agent, for the benefit of the Secured Parties.

(g) All Policies shall contain clauses or endorsements to the effect that:

(i) no act or negligence of any Group Member, or anyone acting for the Group Members, or of any Tenant or other occupant, or failure to comply with the provisions of any Policy, which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as the Administrative Agent is concerned;

(ii) the Policy shall not be materially changed (other than to increase the coverage provided thereby) or canceled without at least 30 days' written notice to the Administrative Agent and any other party named therein as an additional insured;

(iii) to the extent commercially available, the issuers thereof shall give written notice to the Administrative Agent if the Policy has not been renewed 30 days prior to its expiration; and

(iv) the Administrative Agent shall not be liable for any Insurance Premiums or retentions (including deductibles) of the Policies thereon or subject to any assessments thereunder.

(h) If at any time the Administrative Agent is not in receipt of written evidence that all insurance required hereunder is in full force and effect, the Administrative Agent shall have the right, without notice to the Borrower, to take such action as the Administrative Agent deems necessary to protect its interest in any Borrowing Base Property, including, without limitation, the obtaining of such insurance coverage as the Administrative Agent in its sole discretion deems appropriate after three Business Days' notice to the Borrower if prior to the date upon which any such coverage will lapse or at any time the Administrative Agent deems necessary (regardless of prior notice to the Borrower) to avoid the lapse of any such coverage. All premiums incurred by the Administrative Agent in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by the Borrower to the Administrative Agent upon demand and, until paid, shall be secured by the Mortgage and shall bear interest at the rate specified in Section 2.13(c)(ii).

(i) All Policies maintained, or caused to be maintained, with respect to any Borrowing Base Property, shall be primary without right of contribution from any other insurance that may be carried by the Administrative Agent and that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. If any insurer which has issued a Policy required under this Section 6.5 becomes insolvent or is the subject of any petition, case, proceeding or other action pursuant to any Debtor Relief Law, or if in the Administrative Agent's reasonable opinion the financial responsibility of such insurer is or becomes inadequate, then the Borrower shall in each instance promptly upon its discovery thereof or upon the request of the Administrative Agent therefor, promptly obtain and deliver to the Administrative Agent a like policy (or, if and to the extent permitted by the Administrative Agent, acceptable evidence of insurance) issued by another insurer, which insurer and policy meet the requirements of this Section 6.5.

(j) All certificates of insurance evidencing the Borrower's compliance to the insurance required under this Section 6.5 shall be delivered to the Administrative Agent on or prior to the Effective Date, with all premiums fully paid current and each renewal or substitute policy (or evidence of insurance) shall be delivered to the Administrative Agent, at least ten days before the termination of the policy it renews or replaces, with all premiums to be fully paid current in the ordinary course (the "Insurance Premiums").

6.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Group Members with officers and employees of the Group Members and with its independent certified public accountants.

6.7 Notices. Promptly (unless otherwise specified below) give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of any Group Member or (ii) litigation, investigation or proceeding which may exist at any time between any Group Member and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting any Group Member (i) in which the aggregate actual or estimated liability of the Group Members is $5,000,000 or more and not covered by insurance, (ii) in which injunctive or similar relief is sought or (iii) which relates to any Loan Document;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan;

(e) as soon as a Responsible Officer of any Group Member first obtains knowledge thereof: (i) any Environmental Claim or other development, event, or condition that, individually or in the aggregate with other developments, events or conditions, could reasonably be expected to result in the payment by the Group Members, in the aggregate, of a Material Environmental Amount; and (ii) any notice that any governmental authority may deny any application for an Environmental Permit sought by, or revoke or refuse to renew any Environmental Permit held by, any Group Member, in each case including a full description of the nature and extent of the matter for which notice is given and all relevant circumstances;

(f) as soon as possible and in any event within five days after a Responsible Officer of any Group Member has knowledge, or should have had knowledge thereof, of any development or event that has had or could reasonably be expected to have a Material Adverse Effect;

(g) (i) any Casualty to the extent required by Section 6.15(b) and (ii) any actual or threatened Condemnation of any material portion of any Borrowing Base Property (including copies of any and all papers served in connection with such proceeding), any negotiations with respect to any such taking, or any loss of or substantial damage to any Borrowing Base Property;

(h) the failure of the REIT to maintain REIT Status;

(i) any notice received by any Group Member with respect to the cancellation, alteration or non-renewal of any insurance coverage required by this Agreement to be maintained with respect to any Borrowing Base Property;

(j) if any required permit, license, certificate or approval or Hotel License with respect to any Borrowing Base Property that is material to the operation of such Borrowing Base Property lapses or ceases to be in full force and effect or claim from any Person that any Borrowing Base Property, or any use, activity, operation or maintenance thereof or thereon, is not in compliance with any Requirement of Law that would materially interfere with the use or operation of such Borrowing Base Property;

(k) concurrently with the giving thereof, and within five Business Days of receipt thereof, (i) any notice of any default by such Loan Party under any Acceptable Lease, (ii) any notice of the occurrence of any material default by any related lessor of which any Loan Party is aware or the occurrence of any event of which any Loan Party is aware that, with the passage of time or service of notice, or both, would constitute a material default by any related lessor, (iii) any bankruptcy, reorganization, or insolvency of the lessor under any Acceptable Lease or of any notice thereof and (iv) copies of all material notices, other than routine correspondence, given or received by any Loan Party with respect to any Acceptable Lease with respect to a Borrowing Base Property; and

(l) within five Business Days of obtaining knowledge or receiving any notice of any action, proceeding, motion or notice being commenced or filed in respect of any related lessor of all or any part of any Acceptable Lease in connection with any case under the Bankruptcy Code, which notice shall set forth any information available to such Loan Party as to the date of such filing, the court in which such petition was filed, and the relief sought in such filing and copies of any and all notices, summonses, pleadings, applications and other documents received by such Loan Party in connection with any such petition and any proceedings relating to such petition.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Group Member proposes to take with respect thereto.

6.8 Environmental Laws; Environmental Reports. (a) Comply in all material respects with, and ensure compliance in all material respects by all Tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all Tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Promptly conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

(c) If any Acceptable Environmental Report or update delivered pursuant to Section 5.1(l) or 5.3 identifies a Recognized Environmental Condition ("REC"), as defined under ASTM guidelines then in effect, the Borrower shall, within six months of the delivery of such Acceptable Environmental Report or update to the Administrative Agent, conduct such follow up testing, provide such reports, and take such other actions as required or approved by the applicable Governmental Authority to mitigate such REC.

(d) Within 30 days of completion of such actions required pursuant to subsections (b) and (c) above, the applicable Loan Party shall obtain and deliver to the Administrative Agent an Acceptable Environmental Report of the applicable Borrowing Base Property made after such completion and confirming to the Administrative Agent's satisfaction that all required investigation and other action has been successfully completed.

(e) Keep the Borrowing Base Properties and other Real Property free of Materials of Environmental Concern to the extent such conditions could reasonably be expected to cause a Material Property Event.

(f) Keep the Borrowing Base Properties and other Real Property free of any liens imposed pursuant to Environmental Law.

(g) Promptly deliver to the Administrative Agent a copy of any update to an Acceptable Environmental Report and each report pertaining to any Borrowing Base Property or to any Group Member prepared by or on behalf of such Group Member pursuant to any Environmental Requirement. "Environmental Requirement" shall mean any Environmental Law, agreement or restriction (including any condition or requirement imposed by any insurance or surety company) pertaining to Environmental Law.

(h) Immediately advise the Administrative Agent in writing of any Environmental Claim, or of the discovery of any Materials of Environmental Concern other than in material compliance with Environmental Law, on any Borrowing Base Property and other Real Property as soon as any Group Member first obtains knowledge thereof, including a full description of the nature and extent of the Environmental Claim or Materials of Environmental Concern and all relevant circumstances.

(i) If the Administrative Agent shall ever have reason to believe that any Materials of Environmental Concern adversely affects any Borrowing Base Property and other Real Property, or if any Environmental Claim is made or threatened, or if a Default or Event of Default shall have occurred and be continuing, then if requested by the Administrative Agent, at Borrower's expense, deliver to the Administrative Agent from time to time, in each case within 30 days after the Administrative Agent's request, an Acceptable Environmental Report prepared after the date of the Administrative Agent's request. If any applicable Loan Party fails to furnish to the Administrative Agent such Acceptable Environmental Report within 30 days after the Administrative Agent's request, the Administrative Agent may cause any such Acceptable Environmental Report to be prepared at Borrower's expense and risk, and each applicable Loan

Party shall cooperate and provide access and information as requested. The Administrative Agent and its designees are hereby granted access to the Borrowing Base Properties at any time or times, upon reasonable notice (which may be written or oral), and a license which is coupled with an interest and irrevocable, to observe environmental conditions and compliance and as may be necessary to prepare or cause to be prepared such ESAs. The Administrative Agent may disclose to interested parties any information about the environmental condition or compliance of the Borrowing Base Properties, but assumes no obligation and shall be under no duty to disclose any such information to any Person.

6.9 Additional Collateral, etc. (a) With respect to any Property acquired after the Effective Date by any Loan Party (other than (w) any Real Property or any Property described in paragraph (b) or (c) of this Section, (x) any Property subject to a Lien expressly permitted by Section 7.3(h), 7.3(k) or 7.3(l), (y) any Property acquired by an Excluded Subsidiary or an Excluded Foreign Subsidiary and (z) any Excluded Asset (as defined in the Guarantee and Collateral Agreement)) as to which the Administrative Agent, for the benefit of the Secured Parties, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a security interest in such Property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority security interest in such Property, including without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent.

(b) With respect to any new Subsidiary (other than (1) an Excluded Foreign Subsidiary or (2) an Excluded Pledged Subsidiary) created or acquired after the Effective Date (which, for the purposes of this paragraph, shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary or Excluded Pledged Subsidiary, as applicable), by any Group Member, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by any Group Member, (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of such Group Member, (iii) cause such new Subsidiary (other than an Excluded Subsidiary) (A) to become a party to the Guarantee and Collateral Agreement and (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Secured Parties a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including, without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent, provided that, in the event any Subsidiary ceases to be an Excluded Subsidiary as a result of the termination or lapse of the prohibition described in the definition of "Excluded Subsidiary", the Borrower shall cause the compliance with this Section 6.9(b) with respect to such Subsidiary on or prior to the date that is 30 days after such termination or lapse.

(c) With respect to any new Excluded Foreign Subsidiary created or acquired after the Effective Date by any Group Member (other than any Excluded Foreign Subsidiaries), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable in order to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by such Group Member (other than any Excluded Foreign Subsidiaries), (provided that, in no event shall (x) more than 65% of the total outstanding Capital Stock of any such new Excluded Foreign Subsidiary be required to be so pledged and (y) any Capital Stock or assets of any Subsidiary (or other entity) owned by such new Excluded Foreign Subsidiary be required to be so pledged), (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, if any, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of such Group Member, as the case may be, and take such other action as may be necessary or, in the opinion of the Administrative Agent, desirable to perfect the Lien of the Administrative Agent thereon, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

6.10 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agent and the Lenders with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the Borrower or any Subsidiary which may be deemed to be part of the Collateral) pursuant hereto or thereto including, without limitation, the execution and delivery of (x) all such documents necessary to transfer any liquor licenses or hospitality licenses with respect to the Borrowing Base Property into the name of the Administrative Agent or its designee after the occurrence of an Event of Default and (y) concurrently with any increase in the Obligations to be secured by any Borrowing Base Property, (i) an amendment to the Mortgage of such Borrowing Base Property reflecting an increase in coverage amount to the extent necessary with respect to such increase and (ii) an endorsement to the Title Insurance Policy for each Borrowing Base Property whose Mortgage has been recorded reflecting an increase in coverage amount to the extent necessary with respect to such increase, each in form and substance acceptable to the Administrative Agent; provided that, the Administrative Agent shall have received evidence satisfactory to it that all premiums in respect of each such endorsement, all charges for mortgage recording tax, and all related expenses, if any, have been paid. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, the REIT and the Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lender may be required to obtain from any Group Member for such governmental consent, approval, recording, qualification or authorization.

6.11 Appraisals. (a) The Supermajority Lenders may request a new Appraisal for all or any Borrowing Base Property (i) once during any period of twelve months or (ii) at any time and from time to time after the occurrence and during the continuation of an Event of Default.

(b) The Administrative Agent shall have the right to request an Appraisal for any Borrowing Base Property on a quarterly basis from time to time if any of the following events has occurred and is continuing at the time of such request:

(i) if such Borrowing Base Property suffers a Material Environmental Event after the date of this Agreement; or

(ii) the Administrative Agent determines that such Borrowing Base Property has suffered a Material Property Event after the date such Borrowing Base Property was admitted into the Borrowing Base (or in the case of a Casualty, in respect of such Borrowing Base Property, is reasonably likely to become a Material Property Event).

(c) The Administrative Agent shall receive an Appraisal for each Borrowing Base Property on or prior to the 24-month anniversary of the Effective Date.

6.12 Borrowing Base Reports. (a) Beginning with the quarter ended September 30, 2010, deliver to the Administrative Agent (and the Administrative Agent shall thereafter deliver to each Lender), as soon as available and in any event concurrently with the delivery of the financial statements referred to in Sections 6.1(a) and (c), a completed Borrowing Base Certificate calculating and certifying the Borrowing Base as of the end of such quarter, signed on behalf of the Borrower by a Principal Financial Officer.

(b) Furnish to the Administrative Agent (and the Administrative Agent shall thereafter deliver to each Lender) as soon as practicable and in any event within five Business Days after any Disposition outside the ordinary course of business (including by way of Casualty or Condemnation) of any Collateral having a book value exceeding $1,000,000, an updated Borrowing Base Certificate calculating (on a pro forma basis, after giving effect to such Disposition and reflecting only the changes to the affected component of the Borrowing Base Property) and certifying such pro forma Borrowing Base as of the end of the most recent fiscal quarter for which a Borrowing Base Certificate was delivered pursuant to Section 5.2(c), 5.3, 5.4 or 6.12, as applicable. The Borrowing Base set forth in each Borrowing Base Certificate delivered with respect to each fiscal quarter occurring after the fiscal quarter covered by the updated Borrowing Base Certificate described in the preceding sentence and ending prior to any such Disposition shall be calculated on a pro forma basis, after giving effect to such Disposition.

6.13 Blocked Account Control Agreements. (a) Cause each Manager to, (i) deliver irrevocable written instructions to all Tenants to deliver all Rents and other receipts payable thereunder directly to the applicable Lockbox Account, (ii) deliver irrevocable written instructions to each of the credit card companies or credit card clearing banks with which any

Group Member or such Manager has entered into merchant's agreements to deliver all receipts payable with respect to the applicable Borrowing Base Property directly to the applicable Lockbox Account and (iii) deposit all amounts received by any Group Member or the Manager constituting Rents into the Lockbox Account within one Business Day after receipt thereof.

(b) Execute and deliver and cause each depository bank holding each Lockbox Account established after the Effective Date to execute and deliver Blocked Account Control Agreements covering each such Lockbox Account together with legal opinions satisfactory to the Administrative Agent.

6.14 Taxes. (a) Timely file or cause to be filed all Federal, state and other material tax returns that are required to be filed and shall timely pay all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any taxes the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP have been provided on the books of the applicable Group Member, as the case may be).

(b) The Loan Parties shall pay all taxes and Other Charges now or hereafter levied or assessed or imposed against any Borrowing Base Property or any part thereof as the same become due and payable. At the request of the Administrative Agent, each Loan Party will deliver to the Administrative Agent receipts for payment or other evidence satisfactory to the Administrative Agent that the taxes and Other Charges have been so paid or are not then delinquent no later than ten days prior to the date on which the taxes or Other Charges would otherwise be delinquent if not paid. At the request of the Administrative Agent, each Loan Party shall furnish to the Administrative Agent receipts for the payment of the taxes and the Other Charges prior to the date the same shall become delinquent. Except Liens set forth in Sections 7.3(a), 7.3(b) and 7.3(f), the Loan Parties shall not suffer and shall promptly cause to be paid and discharged any Lien or charge whatsoever which may be or become a Lien or charge against any Borrowing Base Property, and shall promptly pay for all utility services provided to each Borrowing Base Property.

6.15 Condemnation, Casualty and Restoration. (a) The Administrative Agent has the right (but not the obligation) to participate in any proceeding for the Condemnation of a Borrowing Base Property that would materially interfere with the use or operation of such Borrowing Base Property and to be represented by counsel of its own choice, and the applicable Loan Parties shall from time to time deliver to the Administrative Agent all instruments requested by it to permit such participation. Each applicable Loan Party shall, at its expense, diligently prosecute any such proceedings, and shall consult with the Administrative Agent, its attorneys, and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through Condemnation or otherwise (including any transfer made in lieu of or in anticipation of the exercise of such taking), the Borrower shall continue to pay the Obligations at the time and in the manner provided for in this Agreement and the Obligations shall not be reduced until any award shall have been actually received and applied by the Administrative Agent, after the deduction of expenses of collection, to the reduction or discharge of the Obligations. All costs and expenses (including attorney's fees and costs) incurred by the Administrative Agent in connection with any Condemnation shall be a demand obligation owing by the Borrower (which the Borrower hereby promises to pay) to the Administrative Agent pursuant to this Agreement.

(b) If any Borrowing Base Property shall be damaged or destroyed, in whole or in part, by a Casualty, and either (i) the aggregate cost of repair of such damage or destruction shall be equal to or in excess of 5% of value as reflected in the most-recent Appraisal for such Borrowing Base Property or (ii) such Casualty is reasonably expected to cause a Material Property Event, give prompt notice of such Casualty to the Administrative Agent and in the case of clause (ii) above, the Administrative Agent shall have the right to request a new Appraisal pursuant to Section 6.11(b)(ii) and adjust the Borrowing Base. The applicable Loan Party shall pay or cause to be paid, all restoration costs whether or not such costs are covered by insurance. The Administrative Agent may, but shall not be obligated to, make proof of loss if not made promptly by the applicable Loan Party. If an Event of Default has occurred and is then continuing, then the applicable Loan Party shall adjust all claims for Insurance Proceeds in consultation with, and approval of, the Administrative Agent.

(c) The Administrative Agent, for the benefit of the Secured Parties, shall be entitled to receive all sums which may be awarded or become payable to a Loan Party for the Condemnation of any Borrowing Base Property, or any part thereof, and any Insurance Proceeds of a Casualty and the applicable Loan Party shall, upon request of the Administrative Agent, promptly execute such additional assignments and other documents as may be necessary from time to time to permit such participation and to enable the Administrative Agent to collect and receipt for any such sums, provided that, in the event the Insurance Proceeds shall be less than $250,000, such Insurance Proceeds shall be paid by the insurance company directly to the Borrower and the Borrower shall use such Insurance Proceeds to commence and satisfactorily complete with due diligence the restoration of the applicable Borrowing Base Property in accordance with the terms of this Agreement. All such sums are hereby assigned to the Administrative Agent, for the benefit of the Secured Parties, and shall, after deduction therefrom of all reasonable expenses actually incurred by the Administrative Agent, including attorneys' fees and costs, at the Administrative Agent's option be (i) released to the applicable Loan Party, or (ii) applied to the restoration of the affected Borrowing Base Property, or (iii) applied to the payment of the Obligations in such order and manner as the Administrative Agent, in its sole discretion, may elect, whether or not due. Any amounts not applied in accordance with clause (i), (ii) or (iii) of the foregoing sentence shall be remitted to the applicable Loan Party. In any event the unpaid portion of the Obligations shall remain in full force and effect and the payment thereof shall not be excused. The Administrative Agent shall not be, under any circumstances, liable or responsible for failure to collect or to exercise diligence in the collection of any such sum or for failure to see to the proper application of any amount paid over to the applicable Loan Party.

6.16 Acceptable Leases. (a) Each lease that is a Borrowing Base Property or a portion thereof, shall at all times be an Acceptable Lease;

(b) within ten days after receipt of request by the Administrative Agent, the applicable Loan Party shall use commercially reasonable efforts to obtain from each lessor related to each Acceptable Lease and furnish to the Administrative Agent the estoppel certificate of such lessor stating the date through which rent has been paid and whether or not there are any defaults thereunder and specifying the nature of such claimed defaults, if any;

(c) promptly execute, acknowledge and deliver to the Administrative Agent such instruments as may be required to permit the Administrative Agent to cure any default under any Acceptable Lease or permit the Administrative Agent to take such other action required to enable the Administrative Agent to cure or remedy the matter in default and preserve the security interest of the Administrative Agent under the Loan Documents with respect to the applicable Acceptable Lease and each Loan Party irrevocably appoints the Administrative Agent as its true and lawful attorney-in-fact to do, in its name or otherwise, any and all acts and to execute any and all documents that are necessary to preserve any rights of such Loan Party under or with respect to each Acceptable Lease, including, without limitation, the right to effectuate any extension or renewal of such Acceptable Lease, or to preserve any rights of such Loan Party whatsoever in respect of any part of such Acceptable Lease (and the above powers granted to the Administrative Agent are coupled with an interest and shall be irrevocable);

(d) the actions or payments of the Administrative Agent to cure any default by any Loan Party under any Acceptable Lease shall not remove or waive, as between such Loan Party and the Administrative Agent, the default that occurred under this Agreement by virtue of the default by a Loan Party under such Acceptable Lease. All sums expended by the Administrative Agent to cure any such default in accordance with this Section 6.16, shall be paid by the applicable Loan Party to the Administrative Agent, upon demand, with interest on such sum at the rate set forth in this Agreement from the date such sum is expended to and including the date the reimbursement payment is made to the Administrative Agent. All such indebtedness shall be deemed to be Obligations secured by the Security Documents;

(e) if the applicable Loan Party shall default in the performance or observance of any term, covenant, or condition of any Acceptable Lease on the part of such Loan Party and shall fail to cure the same prior to the expiration of any applicable cure period provided thereunder, then the Administrative Agent shall have the right, but shall be under no obligation, to pay any sums and to perform any act or take any action as may be appropriate to cause all of the terms, covenants, and conditions of such Acceptable Lease on the part of such Loan Party to be performed or observed on behalf of such Loan Party and subject to the rights of Tenants under the Acceptable Leases, the Administrative Agent shall have the right to enter all or any portion of the applicable Real Property at such times and in such manner as the Administrative Agent deems necessary, to prevent or to cure any such default, to the end that the rights of such Loan Party in, to, and under such Acceptable Lease shall be kept unimpaired and free from default. If the lessor under any Acceptable Lease shall deliver to the Administrative Agent a copy of any notice of default under such Acceptable Lease, then such notice shall constitute full protection to the Administrative Agent for any action taken or omitted to be taken by the Administrative Agent, in good faith, in reliance thereon; and

(f) notwithstanding anything to the contrary contained in the Loan Documents with respect to any Acceptable Lease:

(i) the Lien of the related Mortgage attaches to all of such Loan Party’s rights and remedies at any time arising under or pursuant to subsection 365(h) of the Bankruptcy Code, including, without limitation, all of the Loan Party’s rights, as lessee, to remain in possession of any applicable Acceptable Lease;

(ii) each Loan Party shall not, without the Administrative Agent's prior written consent, elect to treat any Acceptable Lease as terminated under subsection 365(h)(l)(A)(l) of the Bankruptcy Code. Any such election made without the Administrative Agent's prior written consent shall be void;

(iii) as security for the Obligations, each Loan Party unconditionally assigns, transfers and sets over to the Administrative Agent all of such Loan Party's claims and rights to the payment of damages arising from any rejection of any Acceptable Lease by any lessor under such Acceptable Lease under the Bankruptcy Code. The Administrative Agent and each Loan Party shall proceed jointly or in the name of such Loan Party in respect of any claim, suit, action or proceeding relating to the rejection of any Acceptable Lease, including, without limitation, the right to file and prosecute any proofs of claim, complaints, motions, applications, notices and other documents in any case in respect of any ground lessor, or air rights lessor, as applicable, under the Bankruptcy Code. This assignment constitutes a present, irrevocable and unconditional assignment of the foregoing claims, rights and remedies, and shall continue in effect until all of the Obligations shall have been satisfied and discharged in full. Any amounts received by the Administrative Agent or any Loan Party as damages arising out of the rejection of any Acceptable Lease as aforesaid shall be applied to all reasonable costs and expenses of the Administrative Agent (including, without limitation, reasonable attorney's fees and costs) incurred in connection with the exercise of any of its rights or remedies in accordance with the applicable provisions of the Loan Documents;

(iv) if, pursuant to subsection 365(h) of the Bankruptcy Code, any Loan Party seeks to offset, against the rent reserved in any Acceptable Lease, the amount of any damages caused by the nonperformance by the lessor of any of its obligations thereunder after the rejection by such lessor of such Acceptable Lease under the Bankruptcy Code, then such Loan Party shall not effect any offset of the amounts so objected to by the Administrative Agent. If the Administrative Agent has failed to object as aforesaid within ten days after notice from the Loan Party in accordance with the first sentence of this subsection, the Loan Party may proceed to offset the amounts set forth in such Loan Party's notice; and

(v) if any action, proceeding, motion or notice shall be commenced or filed in respect of any lessor of all or any part of any Acceptable Lease in connection with any case under the Bankruptcy Code, the Administrative Agent and the Loan Parties shall cooperatively conduct and control any such litigation with counsel agreed upon between the Loan Parties and the Administrative Agent in connection with such litigation. Each Loan Party shall, upon demand, pay to the Administrative Agent all reasonable costs and expenses (including reasonable attorneys' fees and costs) actually paid or actually incurred by the Administrative Agent in connection with the cooperative prosecution or conduct of any such proceedings. All such costs and expenses shall be Obligations secured by the Lien of the Mortgages.

6.17 Borrowing Base Property Covenants.

(a) Reports and Testing. (i) Deliver to the Administrative Agent copies of all material reports, studies, inspections, and tests made on the Borrowing Base Properties, the Improvements, or any materials to be incorporated into the Improvements, (ii) immediately notify the Administrative Agent of any report, study, inspection, or test that indicates any material adverse condition relating to the Borrowing Base Properties, the Improvements, or any such materials which could reasonably be expected to have a Material Property Event and (iii) make such additional tests as the Administrative Agent may require.

(b) Business Strategy. Maintain ownership of each Borrowing Base Property at all times consistent with the Borrower's business strategy, and each Borrowing Base Property shall at all times be of an asset quality consistent in all material respects with or better than the quality of Borrowing Base Properties owned by the Loan Parties as of the date hereof.

(c) Management Agreements; Franchise Agreements. (i) Promptly (A) perform and observe all of the covenants and agreements required to be performed and observed under the Management Agreements and the Franchise Agreements, including, without limitation, any PIP Requirements, and do all things necessary to preserve and to keep unimpaired the Loan Parties' rights thereunder; (B) notify the Administrative Agent of any default under the Management Agreements and the Franchise Agreements of which any Loan Party is aware; (C) deliver to the Administrative Agent a copy of each financial statement, business plan, annual budget and capital expenditures plan, notice, report, estimate, notice of default or other notice received by the Loan Parties under the Management Agreements and the Franchise Agreements; and (D) enforce in all respects the performance and observance of all of the covenants and agreements required to be performed or observed by the applicable Manager under the Management Agreements and the applicable Franchisor under the Franchise Agreements.

(ii) If (A) an Event of Default hereunder has occurred and remains uncured, (B) a Manager or Franchisor shall become insolvent or is the subject of any petition, case, proceeding or other action pursuant to any Debtor Relief Law, (C) a default occurs under any Management Agreement or Franchise Agreement or (D) a Manager or Franchisor engages in gross negligence, fraud or willful misconduct, the Borrower shall, and shall cause each relevant Subsidiary to, at the request of the Administrative Agent, terminate such Management Agreement or Franchise Agreement and replace such Manager with a Qualified Manager pursuant to a Replacement Management Agreement or the Franchisor with a Qualified Franchisor pursuant to a Replacement Franchise Agreement, as applicable, it being understood and agreed that the management fee for such Qualified Manager or the franchise fee for such Qualified Franchisor, as applicable, shall not exceed then prevailing market rates. In the event that a Management Agreement or Franchise Agreement expires or is terminated (without limiting any obligation of the Borrower to obtain the Administrative

Agent's consent to any termination or modification of such Management Agreement or Franchise Agreement in accordance with the terms and provisions of this Agreement), the Borrower shall, or shall cause each relevant Subsidiary, to promptly enter, or cause to be entered, into a Replacement Management Agreement with the Manager or another Qualified Manager or a Replacement Franchise Agreement with the Franchisor or another Qualified Franchisor, as applicable.

(d) Operating Leases. Promptly (i) perform and observe all of the covenants and agreements required to be performed and observed under the Operating Leases and do all things necessary to preserve and to keep unimpaired the Loan Parties' rights thereunder; (ii) notify the Administrative Agent of any default under the Operating Leases of which any Loan Party is aware; (iii) deliver to the Administrative Agent a copy of any notice of default or other notice received by the Loan Parties under the Operating Leases; and (iv) enforce in all respects the performance and observance of all of the covenants and agreements required to be performed or observed by the applicable lessor under each Operating Lease.

6.18 Material Mortgage Recording Tax Mortgaged Properties. (a) Upon the occurrence of the Mortgage Recordation Trigger Date, (x) all Material Mortgage Recording Tax State Mortgages shall be released from escrow pursuant to the Escrow Agreement and recorded in each of the offices that the Administrative Agent may deem necessary or desirable in order to create in favor of the Administrative Agent for the benefit of the Secured Parties a duly perfected security interest in the Property described in such Material Mortgage Recording Tax State Mortgages and (y) the Administrative Agent shall promptly receive for each Material Mortgage Recording Tax Mortgaged Property a title insurance policy satisfying the requirements of Section 5.1(q) (subject to any intervening Liens of record), provided that, notwithstanding the foregoing, in the event that the Borrower has failed to deliver the financial statements in accordance with Section 6.1 on the date specified for such delivery, the Administrative Agent may (or, at the request of the Required Lenders, shall) deliver a notice to the Borrower that the Mortgage Recordation Trigger Date has occurred. For the avoidance of doubt, in the event that the Borrower has failed to comply with the requirements of either clause (x) or (y) above with respect to any Material Mortgage Recording Tax Mortgaged Property, such Property shall cease to be a Borrowing Base Property. With respect to a Material Mortgage Recording Tax Mortgaged Property, the maximum amount of the Mortgage for such Property shall be the value of such Property as determined by the most recent Appraisal.

(b) Until the Mortgage Recordation Trigger Date, the Borrower shall deliver to the Administrative Agent and the Lenders the results of a title search for each Material Mortgage Recording Tax State Mortgage on or prior to each anniversary of the Effective Date.

6.19 Disclosable Events. If the REIT or the Borrower obtains knowledge or receives any notice that any Group Member or REIT Controlled Affiliate is in violation of Section 7.21(a), (b) or (c), including any such violation that could result in the forfeiture of any Collateral or the proceeds of the Loans or a claim of forfeiture of any Collateral or the proceeds of the Loans (any such violation, a "Disclosable Event"), the Borrower shall promptly (i) give written notice to the Administrative Agent of such Disclosable Event and (ii) comply with all applicable laws with respect to such Disclosable Event. The Borrower hereby authorizes and consents to the Administrative Agent and each Lender taking any and all steps the Administrative Agent or such Lender deems necessary, in its sole but reasonable discretion, to avoid a violation of all applicable laws with respect to any such Disclosable Event.

The REIT and the Borrower hereby jointly and severally agree that, so long as the Revolving Credit Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, each of the REIT and the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants.

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as of the last day of any fiscal quarter of the Borrower to exceed the percentage set forth below opposite such fiscal quarter:

Fiscal Quarter Ending	Consolidated Leverage Ratio
September 30, 2012 to December 31, 2014	60%
March 31, 2015 and thereafter	55%

(b) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower to be less than 1.50 to 1.00.

(c) Maintenance of Total Net Worth. Permit Total Net Worth as of the last day of any fiscal quarter to be less than the sum of (i) 85% of the Total Net Worth as of the Closing Date, plus (ii) 75% of net cash proceeds of any issuance or sale of Capital Stock by the REIT after the Closing Date.

(d) Consolidated Floating Rate Debt. Permit Consolidated Floating Rate Debt as of the last day of any fiscal quarter of the Borrower at any time to exceed 35% of the Total Asset Value on such date.

7.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness of (i) the Borrower to any Subsidiary and (ii) any Wholly Owned Subsidiary Guarantor to the Borrower or any other Subsidiary; provided that, the aggregate amount of any Indebtedness of any Subsidiary that is not a Loan Party to any Loan Party shall not exceed $5,000,000 at any one time outstanding;

(c) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 7.3(h) in an aggregate principal amount not to exceed $5,000,000 at any one time outstanding;

(d) Indebtedness outstanding on the date hereof and listed on Schedule 7.2(d) and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof (other than by the refinancing costs thereof including premiums and make whole payments) or any shortening of the maturity of any principal amount thereof);

(e) Guarantee Obligations made in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of the Borrower or any Subsidiary Guarantor;

(f) unsecured Recourse Indebtedness of the REIT and its Subsidiaries which (i) shall mature at least one year after the Revolving Credit Termination Date and (ii) shall not exceed on any date of determination, an amount equal to 10% of Total Asset Value on such date at any one time outstanding;

(g) Non-Recourse Indebtedness of any Subsidiary that becomes a Subsidiary of the Borrower (other than a Borrowing Base Group Member) after the date hereof in accordance with Section 7.7(g), which exists at the time such Person becomes a Subsidiary; provided that, (x) such Indebtedness existed at the time of such acquisition and was not created in connection therewith or in contemplation thereof, and (y) the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate (i) certifying that, immediately prior to and after giving effect to such additional Indebtedness, no Default or Event of Default shall exist and (ii) containing all information and calculations necessary, and taking into consideration such additional Indebtedness, for determining pro forma compliance with the provisions of Section 7.1 hereof;

(h) Non-Recourse Indebtedness (other than Permitted Construction Financing) in respect of the Non-Recourse Subsidiary Borrowers that is secured by either (i) Real Property owned or leased by such Non-Recourse Subsidiary Borrowers and any related Property permitted by Section 7.3(k) or (ii) the Capital Stock of any Subsidiary of such Non-Recourse Subsidiary Borrower that is also a Non-Recourse Subsidiary Borrower, including, in either case, any refinancing of any Indebtedness incurred pursuant to Section 7.2(d); provided that, with respect to any of the foregoing Indebtedness:

(i) none of the Group Members provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is directly or indirectly liable (as guarantor or otherwise), other than (i) any Subsidiary of the Borrower that is a direct or indirect parent or Subsidiary of such Non-Recourse Subsidiary Borrower or (ii) the Non-Recourse Parent Guarantor as guarantor (x) to the extent permitted by Section 7.2(j) for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate guarantee or indemnification agreements in non-recourse financing of real estate or (y) to the extent otherwise permitted by Section 7.2(f); and

(ii) as to which the lenders thereunder will not have any recourse to the Capital Stock or assets of the Group Members other than the assets securing such Indebtedness, additions, accessions and improvements thereto and proceeds thereof, the Capital Stock of the Non-Recourse Subsidiary Borrower that is the borrower under such Indebtedness or the Capital Stock of any direct or indirect parent of such Non-Recourse Subsidiary Borrower and, in the case of a Non-Recourse Parent Guarantor, recourse against such Non-Recourse Parent Guarantor for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate guarantee or indemnification agreements in non-recourse financings of real estate, and Guarantee Obligations permitted by Section 7.2(f); and

provided, further, that, (x) immediately prior to and after giving effect to the incurrence of such Indebtedness, no Default or Event of Default shall have occurred and be continuing, and (y) after giving pro forma effect to such Indebtedness and the use of proceeds therefrom, the Borrower shall be in compliance with the provisions of Section 7.1 hereof. For the avoidance of doubt, if at any time following the Effective Date any Group Member acquires the remaining Capital Stock of any Joint Venture not owned by the Group Members on the Effective Date, any Real Property owned by such Joint Venture shall be included in clause (i) of this Section 7.2(h);

(i) Permitted Construction Financing of any Non-Recourse Subsidiary Borrower; provided that, with respect to any of the foregoing Indebtedness:

(i) none of the Group Members provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is directly or indirectly liable (as guarantor or otherwise), other than (i) any Subsidiary of the Borrower that is a direct or indirect parent or Subsidiary of such Non-Recourse Subsidiary Borrower or (ii) the Non-Recourse Parent Guarantor as guarantor (x) to the extent permitted by Section 7.2(j) for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate non-monetary completion guarantee or indemnification agreements in construction financing of real estate or (y) to the extent otherwise permitted by Section 7.2(f), including customary monetary completion and repayment guarantees; and

(ii) as to which the lenders thereunder will not have any recourse to the Capital Stock or assets of the Group Members other than the assets securing such Indebtedness, additions, accessions and improvements thereto and proceeds thereof and, in the case of a Non-Recourse Parent Guarantor, recourse against such Non-Recourse Parent Guarantor for (x) fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances

customarily excluded by institutional lenders from exculpation provisions and included in separate non-monetary completion guarantee or indemnification agreements in construction financing of real estate, and or (y) to the extent otherwise permitted by Section 7.2(f), including customary monetary completion and repayment guarantees;

provided, further, that, (x) immediately prior to and after giving effect to the incurrence of such Indebtedness, no Default or Event of Default shall have occurred and be continuing, and (y) after giving pro forma effect to such Indebtedness and the use of proceeds therefrom, the Borrower shall be in compliance with the provisions of Section 7.1 hereof;

(j) Permitted Limited Recourse Guarantees of Indebtedness permitted by Sections 7.2(h) and (i), provided that, the sum of, without duplication, (x) the aggregate amount of Permitted Limited Recourse Guarantees comprised of monetary completion or payment guarantees plus (y) the aggregate amount of Permitted Limited Recourse Guarantees required by GAAP to be reflected as a liability on the consolidated balance sheet of the Group Members shall not exceed the amount permitted to be incurred under Section 7.2(f) (together with all other Indebtedness incurred pursuant to such Section at such time) at any one time outstanding; and

(k) Guarantee Obligations made by the REIT or any Loan Party which owns a Borrowing Base Property for the payment and performance of the Franchise Agreement with respect to such Borrowing Base Property.

7.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) any attachment or judgment liens not resulting in an Event of Default under Section 8.1(h);

(e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(g) Liens in existence on the date hereof listed on Schedule 7.3(g), securing Indebtedness permitted by Section 7.2(d), provided that, no such Lien is spread to cover any additional Property after the Closing Date and that the amount of Indebtedness secured thereby is not increased except as permitted by Section 7.2(d);

(h) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 7.2(c) to finance the acquisition of fixed or capital assets, including Real Property, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased;

(i) Liens created pursuant to the Security Documents;

(j) any interest or title of a lessor under any Lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(k) Liens on (x) fee-owned property or Real Property leases of the Non-Recourse Subsidiary Borrowers and any related Property (other than the Capital Stock of any Group Member that is not a Non-Recourse Subsidiary Borrower or a direct or indirect parent of a Non-Recourse Subsidiary Borrower) customarily granted or pledged by a borrower to its lender in connection with non-recourse real estate financing or construction financing, as applicable, including, without limitation, any personal property located on or related to such Property, any contracts, accounts receivables and general intangibles related to such Real Property and any Hedge Agreements relating to the Indebtedness, or (y) in the case of any Mortgage Financing, the Capital Stock of any Non-Recourse Subsidiary Borrower or a direct or indirect parent of a Non-Recourse Subsidiary Borrower (and, in each case, any proceeds from any of the foregoing) which Liens secure Indebtedness permitted by Sections 7.2(h) and (i), provided that, no such Lien shall encumber any Collateral; and

(l) Liens securing Indebtedness of any Subsidiary that becomes a Subsidiary after the date hereof incurred pursuant to Section 7.2(g), which exists at the time such Person becomes a Subsidiary, provided that, (x) such Liens are created substantially simultaneously with the incurrence of such Indebtedness and (y) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness, other than, in each case, in connection with any consolidations of such Indebtedness.

Notwithstanding the foregoing, in no event shall any Lien be created, incurred, assumed or suffered to exist on (x) any Borrowing Base Property (except Liens pursuant to Section 7.3(a), (b) or (f)) or (y) the Capital Stock of any Person that is the direct or indirect owner of any Borrowing Base Property, except Liens created pursuant to the Security Documents.

7.4 Limitation on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with (or liquidated or dissolved into) or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that (i) the Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation or (ii) simultaneously with such transaction, the continuing or surviving corporation shall become a Wholly Owned Subsidiary Guarantor and the Borrower shall comply with Section 6.9 in connection therewith);

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation, dissolution or otherwise) to the Borrower or any Subsidiary Guarantor; and

(c) the Borrower and any Subsidiary of the Borrower may Dispose of any or all of its assets pursuant to Section 7.5(e) or (f).

7.5 Limitation on Disposition of Property. Dispose of any of its Property (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) Dispositions permitted by Section 7.4(b);

(d) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Subsidiary Guarantor;

(e) the Disposition of any Borrowing Base Property (including the Capital Stock of the direct or indirect owner of such Borrowing Base Property (other than the REIT and the Borrower)); provided that, the Borrower shall have complied with each of the requirements set forth in Section 5.4; and

(f) the Disposition of other assets (including the Capital Stock of the direct or indirect owner of such Borrowing Base Property (other than the Borrower and the REIT)); provided that, for each such Disposition, the Administrative Agent shall have received (i) a certificate of a Principal Financial Officer certifying that after giving pro forma effect to the Disposition of such asset, the Total Revolving Extensions of Credit shall not exceed the Maximum Facility Availability and (ii) a pro forma Compliance

Certificate (x) containing all information and calculations necessary, after giving pro forma effect to the Disposition of such asset, for determining pro forma compliance with the provisions of Section 7.1 hereof and (y) certifying that immediately prior to and after giving effect to such Disposition, no Default or Event of Default shall have occurred or be continuing.

7.6 Limitation on Restricted Payments. Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of any Group Member, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of any Group Member, or enter into any derivatives or other transaction with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating any Group Member to make payments to such Derivatives Counterparty as a result of any change in market value of any such Capital Stock (collectively, "Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to the Borrower or any Subsidiary;

(b) the REIT may make Restricted Payments in the form of common stock of the REIT;

(c) the REIT may make Restricted Payments to its direct or indirect owners during any four quarter period (and the Borrower may make Restricted Payments to the REIT and the holders of the Borrower Common Units, in each case, to the extent necessary to enable the REIT to make such Restricted Payments), not to exceed the greater of (x) 95% of Adjusted Funds From Operations and (y) the minimum amount required to maintain REIT Status, provided that, (1) on the date of any such Restricted Payment, the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate delivered by the Borrower to the Administrative Agent certifying that immediately prior to and after giving effect to such Restricted Payment, (i) no Default or Event of Default shall have occurred and be continuing and (ii) containing all information and calculations necessary, and taking into consideration such Restricted Payment, for determining pro forma compliance with the provisions of Section 7.1 hereof and (2) no such Restricted Payments shall be made pursuant to this Section 7.6(c) if a Default or Event of Default shall have occurred and be continuing;

(d) the Borrower may make Restricted Payments to the REIT to permit the REIT to (i) pay corporate overhead expenses incurred in the ordinary course of business and (ii) pay any taxes which are due and payable by the REIT, the Borrower or any Subsidiary;

(e) the Borrower may make redemption payments in cash with respect to (i) the Borrower Common Units to the extent required by the Borrower LP Agreement as in effect on the Closing Date in an aggregate amount not exceeding $50,000 during the term of this Agreement and (ii) the Borrower LTIP Units to the extent permitted by the Borrower LP Agreement as in effect on the Closing Date in an aggregate amount not

exceeding $3,000,000 during the term of this Agreement; provided that, on the date of any such Restricted Payment, the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate (A) certifying that, immediately prior to and after giving effect to such Restricted Payment, no Default or Event of Default shall have occurred and be continuing, and (B) containing all information and calculations necessary, and taking into consideration such Restricted Payment, for determining pro forma compliance with the provisions of Section 7.1 hereof; and

(f) any Joint Venture may make Restricted Payments pursuant to the terms of its joint venture agreement; provided that, such Restricted Payments shall be made (i) pro rata concurrently to each applicable Group Member in accordance with its relevant Ownership Percentage at the time of any such Restricted Payment, (ii) such Restricted Payments do not exceed the amount of such Joint Venture's obligations under its joint venture agreement and (iii) such Restricted Payments are required pursuant to the terms of such joint venture agreement.

7.7 Limitation on Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting an ongoing business from, or make any other investment in, any other Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) Investments in Cash Equivalents;

(c) Investments arising in connection with the incurrence of Indebtedness permitted by Sections 7.2(b), (e) and (k);

(d) loans and advances to employees of the REIT, the Borrower or any Subsidiaries of the Borrower in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses) in an aggregate amount for the REIT, the Borrower and Subsidiaries of the Borrower not to exceed $100,000 at any one time outstanding;

(e) Investments (other than those relating to the incurrence of Indebtedness permitted by Section 7.7(c)) by the Group Members in the Borrower or any Subsidiary Guarantor, provided that, (x) immediately prior to and after giving effect to such Investment, no Default or Event of Default shall have occurred and be continuing, and (y) after giving pro forma effect to such Investment, the Borrower shall be in compliance with the provisions of Section 7.1 hereof;

(f) REIT Permitted Investments; and

(g) Investments by the Borrower or any of its Subsidiaries, consisting of Acquisitions; provided that the Administrative Agent shall have received a certificate of a Principal Financial Officer (i) certifying that after giving pro forma effect to such Acquisition, the Total Revolving Extensions of Credit shall not exceed the Maximum

Facility Availability, (ii) containing all information and calculations necessary, after giving pro forma effect to such Investment, for determining pro forma compliance with the provisions of Section 7.1 hereof and (iii) certifying that immediately prior to and after giving effect to such Acquisition, no Default or Event of Default shall have occurred or be continuing.

7.8 Limitation on Modifications of Organizational Documents. Amend its organizational documents in any manner determined by the Administrative Agent to be adverse to the Lenders.

7.9 Limitation on Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than any Group Member) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of such Group Member, as the case may be, and (c) upon fair and reasonable terms no less favorable to such Group Member, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.

7.10 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the REIT, the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the REIT, the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the REIT, the Borrower or such Subsidiary.

7.11 Limitation on Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

7.12 Limitation on Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of any Group Member to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any Guarantor, its obligations under the Guarantee and Collateral Agreement, other than (a) this Agreement and the other Loan Documents; (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby; (c) documentation evidencing Indebtedness permitted pursuant to Section 7.2(g); (d) any restrictions in connection with existing Indebtedness incurred pursuant to Section 7.2(d), Mortgage Financing or Permitted Construction Financing, including on the Capital Stock of the Subsidiary that is the borrower under such existing Indebtedness incurred pursuant to Section 7.2(d), Mortgage Financing or Permitted Construction Financing or any direct or indirect parent of such Subsidiary; and (e) single purpose entity limitations contained in charter documents for Excluded Subsidiaries, provided that, (i) in the case of clauses (b) and (c), such prohibition or limitation shall only be effective against the assets financed thereby and (ii) in the case of clause (d), such prohibition or limitation shall only be effective against the assets financed thereby and indirect transfers of the Capital Stock of the Subsidiary.

7.13 Limitation on Restrictions on Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary, (b) make Investments in the Borrower or any other Subsidiary or (c) transfer any of its assets to the Borrower or any other Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents; (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary; (iii) restrictions with respect to a Person at the time it becomes a Subsidiary pursuant to any Indebtedness permitted pursuant to Section 7.2(g), provided that, such restrictions (x) were not entered into in contemplation of such Person becoming a Subsidiary and (y) such restrictions apply solely to such Person and its Subsidiaries; (iv) restrictions imposed by applicable law; (v) with respect to clauses (b) and (c) above, (A) restrictions pursuant to documentation evidencing Permitted Construction Financing or Mortgage Financing incurred by Subsidiaries that are not Guarantors, and (B) restrictions pursuant to any joint venture agreement solely with respect to the transfer of the assets or Capital Stock of the related Joint Venture; and (vi) any restrictions existing under an agreement that amends, refinances or replaces any agreement containing restrictions permitted under the preceding clauses (i) through (v), provided that, the terms and conditions of any such agreement, as they relate to any such restrictions are no less favorable to the Borrower and its Subsidiaries, as applicable, than those under the agreement so amended, refinanced or replaced, taken as a whole.

7.14 Limitation on Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Group Members are engaged on the date of this Agreement or that are reasonably related thereto.

7.15 Limitation on Activities of the REIT. In the case of the REIT, notwithstanding anything to the contrary in this Agreement or any other Loan Document, (a) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of the Borrower, (b) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (i) nonconsensual obligations imposed by operation of law, (ii) pursuant to the Loan Documents to which it is a party, (iii) obligations with respect to its Capital Stock, (iv) Permitted Limited Recourse Guarantees permitted by Section 7.2(j), and (v) Guarantee Obligations permitted by Section 7.2(k) or (c) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends made by the Borrower in accordance with Section 7.6 pending application in the manner contemplated by said Section) and cash equivalents) other than the ownership of shares of Capital Stock of the Borrower.

7.16 Limitation on Hedge Agreements. Enter into any Hedge Agreement other than Hedge Agreements entered into in the ordinary course of business, and not for speculative purposes, to protect against changes in interest rates.

7.17 REIT Status. Permit the REIT to fail to meet the requirements for REIT Status.

7.18 Borrower Tax Status. Permit the Borrower to become an association (or publicly traded partnership or taxable mortgage pool) taxable as a corporation for federal tax purposes at any time.

7.19 Borrowing Base Properties. (a) Use or occupy or conduct any activity on, or allow the use or occupancy of or the conduct of any activity on any Borrowing Base Properties in any manner which makes void, voidable, or cancelable any insurance then in force with respect thereto or makes the maintenance of insurance in accordance with Section 6.5 commercially unreasonable (including by way of increased premium);

(b) Without the prior written consent of the Administrative Agent, initiate or permit any zoning reclassification of any Borrowing Base Property or seek any variance under existing zoning ordinances applicable to any Borrowing Base Property or use or permit the use of any Borrowing Base Property in such a manner which would result in such use becoming a nonconforming use under applicable zoning ordinances or other Requirement of Law, in each case, in a manner that would materially interfere with the use or operation of such Borrowing Base Property;

(c) Without the prior written consent of the Administrative Agent, (i) except as permitted by Section 7.3(f), impose any material easement, restrictive covenant, or encumbrance upon any Borrowing Base Property, (ii) execute or file any subdivision plat affecting any Borrowing Base Property or (iii) consent to the annexation of any Borrowing Base Property to any municipality;

(d) Suffer, permit or initiate the joint assessment of any Borrowing Base Property (i) with any other real property constituting a tax lot separate from such Borrowing Base Property, and (ii) which constitutes real property with any portion of such Borrowing Base Property which may be deemed to constitute personal property, or any other procedure whereby the Lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to such real property portion of such Borrowing Base Property;

(e) Without the prior written consent of the Administrative Agent, permit any drilling or exploration for or extraction, removal or production of any mineral, hydrocarbon, gas, natural element, compound or substance (including sand and gravel) from the surface or subsurface of any Borrowing Base Property regardless of the depth thereof or the method of mining or extraction thereof;

(f) Without the prior written consent of the Supermajority Lenders, surrender the leasehold estate created by any Acceptable Lease or terminate or cancel any Acceptable Lease or modify, change, supplement, alter, or amend any Acceptable Lease, either orally or in writing, in each case, except as would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease;

(g) Without the prior written consent of the Supermajority Lenders, fail to (i) exercise any option or right to renew or extend the term of any Acceptable Lease in accordance with the terms of such Acceptable Lease (and give prompt written notice thereof to the Administrative Agent) and (ii) execute, acknowledge, deliver and record any document

requested by the Administrative Agent to evidence the Lien of the related Mortgage on such extended or renewed lease term, in each case, except as would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease; provided, that, the Loan Parties shall not be required to exercise any particular option or right to renew or extend to the extent the Loan Parties shall have received the prior written consent of the Supermajority Lenders (which consent may be withheld by the Supermajority Lenders in their sole and absolute discretion and which consent shall not be necessary to the extent such failure to exercise such right would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease) allowing the Loan Parties to forego exercising such option or right to renew or extend;

(h) Without the prior written consent of the Supermajority Lenders, waive, excuse, condone or in any way release or discharge any lessor of or from such lessor's material obligations, covenants and/or conditions under the applicable Acceptable Lease, in each case, except as would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease;

(i) Without the prior written consent of the Supermajority Lenders, notwithstanding anything contained in any Acceptable Lease to the contrary, sublet any portion of any Borrowing Base Property held pursuant to an Acceptable Lease, except as would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease;

(j) Enter into any Contractual Obligations related to any Borrowing Base Property providing for the payment of a management fee (or any other similar fee) to anyone other than a Group Member, unless such fee is subordinated to the Obligations in a manner satisfactory to the Administrative Agent;

(k) Without the prior written consent of the Administrative Agent with respect to any Borrowing Base Property, (i) surrender, terminate, cancel, amend or modify any Management Agreement; provided, that the Borrower may, without the Administrative Agent's consent, replace any Manager so long as the replacement manager is a Qualified Manager pursuant to a Replacement Management Agreement; (ii) surrender, terminate or cancel any Franchise Agreement; provided, that the Borrower may, without the Administrative Agent's consent, replace any Franchisor so long as the replacement franchisor is a Qualified Franchisor pursuant to a Replacement Franchise Agreement; (iii) surrender, terminate or cancel any Operating Lease or enter into any other Operating Lease with respect to such Borrowing Base Property; (iv) reduce or consent to the reduction of the term of any Management Agreement, Franchise Agreement or Operating Lease; (v) increase or consent to the increase of the amount of any fees or other charges under any Management Agreement or Franchise Agreement; (vi) change the amount of any fees or other charges under any Operating Lease; or (vii) otherwise modify, change, supplement, alter or amend, or waive or release any of its rights and remedies under, any Management Agreement, Franchise Agreement or Operating Lease in any material respect;

(l) Without the prior written consent of the Administrative Agent, with respect to each Borrowing Base Property, fail to cause the obligations of any lessee under any related Operating Lease to be secured by all of the assets of such lessee pursuant to documentation either (i) in form and substance substantially similar to the Leaseco Security Documents delivered to the Administrative Agent on the Closing Date or (ii) otherwise

reasonably satisfactory to the Administrative Agent, including, without limitation, any Management Agreement, Franchise Agreement or deposit account or Lockbox Account; provided that, in the alternative, the relevant lessee shall provide a first priority security interest in all of the assets of such lessee in favor of the Administrative Agent for the benefit of the Secured Parties;

(m) Following the occurrence and during the continuance of an Event of Default, exercise any rights, make any decisions, grant any approvals or otherwise take any action under any Management Agreement, Franchise Agreement or Operating Lease without the prior written consent of the Administrative Agent, which consent may be granted, conditioned or withheld in the Administrative Agent's sole discretion; or

(n) Any acquisition of any related lessor's interest in any Acceptable Lease by any Group Member shall be accomplished by the Group Member in such a manner so as to avoid a merger of the interests of lessor and lessee in such Acceptable Lease, unless consent to such merger is granted by the Administrative Agent.

7.20 Environmental Matters. (a) Cause, commit, permit, or allow to continue (i) any violation of any Environmental Requirement which could reasonably be expected to cause a Material Property Event or have a Material Adverse Effect: (A) by any Group Member or by any Person; and (B) by or with respect to any Borrowing Base Property or any use of or condition or activity on any Real Property, or (ii) the attachment of any environmental Liens on any Borrowing Base Property.

(b) Place, install, dispose of, or release, or cause, permit, or allow the placing, installation, disposal, spilling, leaking, dumping, or release of, any Materials of Environmental Concern or storage tank (or similar vessel) on any Real Property; provided that, any Materials of Environmental Concern or storage tank (or similar vessel) disclosed in the Acceptable Environmental Report or otherwise permitted pursuant to any Lease affecting any Borrowing Base Property shall be permitted on any Borrowing Base Property so long as such Materials of Environmental Concern or storage tanks (or similar vessels) are maintained in compliance with all applicable Environmental Requirements.

7.21 Disclosable Events. (a)(i) Engage, directly or indirectly, in business dealings with any party listed on the Specially Designated Nationals List or other similar lists maintained by OFAC, or in any related Executive Order issued by the President; (ii) conduct, directly or indirectly, business dealings with a party subject to sanctions administered by OFAC; (iii) derive, directly or indirectly, income from business dealings with a party subject to sanctions administered by OFAC; or (iv) use the proceeds of the Loans or any Letter of Credit to conduct any business dealings or transaction, either directly or indirectly, with any party subject to sanctions administered by OFAC.

(b) Derive any of its assets in violation of the anti-money laundering or anti-terrorism laws or regulations of the United States, including but not limited to the USA PATRIOT Act, the Money Laundering Control Act, the Bank Secrecy Act and any related Executive Order of the President.

(c) Fail to comply with applicable anti-bribery and anti-corruption laws and regulations (including the FCPA), including any failure to so comply that may result in the forfeiture of the Collateral or the proceeds of the Loans or a claim of forfeiture of the Collateral or the proceeds of the Loans.

(d) Fail to provide the Administrative Agent and the Lenders with any information regarding any Group Member or any REIT Controlled Affiliate necessary for the Administrative Agent or any of the Lenders to comply with (i) the anti-money laundering laws and regulations, including but not limited to the USA PATRIOT Act, The Money Laundering Control Act, the Bank Secrecy Act and any related Executive Order issued by the President, (ii) all applicable economic sanctions laws and regulations administered by OFAC, and (iii) all applicable anti-corruption and anti-bribery laws and regulations, including the FCPA.

SECTION 8 EVENTS OF DEFAULT

8.1 Events of Default. If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof or thereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document, in any Borrowing Base Certificate, or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(c) (i) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.1(a) or 6.1(b), clause (i) or (ii) of Section 6.4(a) (with respect to the REIT and the Borrower only), Section 6.7(a), 6.12, 6.13 or Section 7, or in Section 5 of the Guarantee and Collateral Agreement or (ii) an “Event of Default” under and as defined in any Mortgage shall have occurred and be continuing; or

(d) (i) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.1(c) or 6.1(d), and such default shall continue unremedied for a period of 15 days; or (ii) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days; or

(e) any Group Member shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any

such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to a mandatory offer to purchase by the obligor thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of which exceeds in the aggregate $5,000,000; or

(f) (i) any Group Member shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Group Member shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Group Member any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Group Member any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Group Member shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Group Member shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single

Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders shall be likely to, incur, any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) (i) one or more judgments or decrees shall be entered against any Group Member involving for the Group Members taken as a whole a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $5,000,000 or more, or (ii) one or more non-monetary judgments shall have been entered against any Group Member have, or could reasonably be expected to have, a Material Adverse Effect, and, in either case, (x) enforcement proceedings are commenced by any creditor upon such judgment or order or (y) all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) any of the Security Documents shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 10.15), to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(j) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 10.15), to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) any Change of Control shall occur; or

(l) a material default (i) shall occur and continue beyond any applicable notice or grace period required by any Management Agreement or Franchise Agreement or (ii) permits the applicable Franchisor or Manager to terminate or cancel any Management Agreement or Franchise Agreement, as applicable; or

(m) a default (i) shall occur and continue beyond any applicable notice or grace period required by any Operating Lease or (ii) permits any Person party to a Operating Lease to terminate or cancel such Operating Lease; or

(n) the Loan Parties shall cease to do business as a hotel at each of the Borrowing Base Properties or terminates such business for any reason whatsoever (other than temporary cessation in connection with any continuous and diligent renovation or restoration of any individual Borrowing Base Property following a Casualty or Condemnation);

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Revolving Credit Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Credit Commitments to be terminated forthwith, whereupon the Revolving Credit Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. In the case of all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired face amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

8.2 Right to Cure. (a) Notwithstanding anything to the contrary contained in Section 8.1(c), if an Event of Default arising solely as a result of failure to comply with the requirements of Section 7.1(a) occurs at the end of any fiscal quarter, the REIT may issue cash common equity, the proceeds of which shall be used to make a voluntary prepayment of the Loans pursuant to Section 2.9, in an aggregate amount sufficient to cause the Borrower to be in compliance with the financial covenant set forth in Section 7.1(a), provided that, (i) the aggregate proceeds of such issuance shall not exceed the amount sufficient to cure such Event of Default, (ii) such proceeds shall be contributed by the REIT to the Borrower as cash common equity, (iii) no more than one cure shall be permitted during the term of this Agreement and (iv) such prepayment shall be deemed to have been made on the last day of the relevant fiscal quarter requiring such cure. Such prepayment must be made no later than the date that is 15 days after the date on which the relevant Compliance Certificate is required to have been delivered. The Lenders hereby waive any notice required by Section 2.9 in connection with such prepayment.

(b) If on a pro forma basis after giving effect to the prepayment of the Loans pursuant to Section 8.2(a), the Borrower would have been in compliance with the financial covenant set forth in Section 7.1(a) as of the date of the relevant Compliance Certificate, the Event of Default under Section 8.1(c) shall be deemed to have not occurred. During the pendency of any cure right afforded to the Group Members pursuant to Section 8.1(a), (i) the Administrative Agent and the Lenders shall not exercise any remedies described under Section 8.1 or otherwise for failure to satisfy the financial covenant set forth in Section 7.1(a) and (ii) the Borrower shall not be permitted to request any extension of credit pursuant to Section 5.2.

(c) The Borrower shall, immediately following the prepayment of the Loans pursuant to Section 8.2(a), deliver to the Administrative Agent a Compliance Certificate demonstrating to the Administrative Agent's satisfaction that on a pro forma basis after giving effect to the prepayment of the Loans, the financial covenant set forth in Section 7.1(a) is then complied with.

SECTION 9 THE AGENTS

9.1 Appointment. Each Lender hereby irrevocably designates and appoints the Agents as the agents of such Lender under this Agreement and the other Loan Documents, and each Lender irrevocably authorizes each Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to such Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, no Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any Agent.

9.2 Delegation of Duties. Each Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither any Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document

or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

9.4 Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Loan Parties), independent accountants and other experts selected by such Agent. The Agents may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 10.6 and all actions required by such Section in connection with such transfer shall have been taken. Each Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders, Supermajority Lenders or any other instructing group of Lenders specified by this Agreement) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders, Supermajority Lenders or any other instructing group of Lenders specified by this Agreement), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent shall have received notice from a Lender, the REIT or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default”. In the event that the Administrative Agent shall receive such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders, Supermajority Lenders or any other instructing group of Lenders specified by this Agreement); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither any of the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Loan

Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7 Indemnification. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the REIT or the Borrower and without limiting the obligation of the REIT or the Borrower to do so), ratably according to their respective Revolving Credit Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Revolving Credit Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Revolving Credit Percentages immediately prior to such date), for, and to save each Agent harmless from and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Revolving Credit Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

9.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon ten days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8.1(a) or 8.1(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is ten days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. The Syndication Agent may, at any time, by notice to the Lenders and the Administrative Agent, resign as Syndication Agent hereunder, whereupon the duties, rights, obligations and responsibilities of the Syndication Agent hereunder shall automatically be assumed by, and inure to the benefit of, the Administrative Agent, without any further act by the Syndication Agent, the Administrative Agent or any Lender. After any retiring Agent's resignation as Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

9.10 Authorization to Release Liens and Guarantees. The Administrative Agent is hereby irrevocably authorized by each of the Lenders to effect any release of Liens or guarantee obligations contemplated by Section 10.15.

9.11 The Arrangers; the Syndication Agent; the Co-Documentation Agents. None of the Arrangers, the Syndication Agent or the Co-Documentation Agents, in their respective capacities as such, shall have any duties or responsibilities, nor shall any such Person incur any liability, under this Agreement and the other Loan Documents.

9.12 No Duty to Disclose. The Administrative Agent, the Syndication Agent, the Arrangers and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the REIT, the Borrower, the other Loan Parties and their respective Affiliates, and none of the Administrative Agent, the Syndication Agent nor the Arrangers has any obligation to disclose any of such interests to the REIT, the Borrower, any other Loan Party or any of their respective Affiliates.

9.13 Waiver. To the fullest extent permitted by law, each of the REIT, the Borrower and the other Loan Parties hereby waives and releases any claims that it may have against the Administrative Agent, the Syndication Agent and the Arrangers with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

10.1 Amendments and Waivers. Neither this Agreement or any other Loan Document, nor any terms hereof or thereof may be amended, restated, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as may be specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall:

(a) forgive the principal amount or extend the final scheduled date of maturity of any Loan or Reimbursement Obligation, reduce the stated rate of any interest or fee payable under this Agreement (except (x) in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of the Required Lenders) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement (which amendment or modification shall be effective with the consent of the Supermajority Lenders) shall not constitute a reduction in the rate of interest or fees for purposes of this clause (a)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Revolving Credit Commitment of any Lender, in each case without the consent of each Lender directly affected thereby;

(b) amend, modify or waive any provision of this Section or Section 6.18 or reduce any percentage specified in the definition of Required Lenders or Supermajority Lenders, increase any percentage specified in clause (iii) of the definition of Borrowing Base, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release the REIT or all or substantially all of the Subsidiary Guarantors from their guarantee obligations under the Guarantee and Collateral Agreement, in each case without the consent of all the Lenders;

(c) amend, modify or waive any provision of Section 9, or any other provision affecting the rights, duties or obligations of any Agent, without the consent of any Agent directly affected thereby;

(d) amend, modify or waive any provision of Section 2.3 or 2.4 without the consent of the Swing Line Lender;

(e) amend, modify or waive any provision of Section 2.16 without the consent of each Lender directly affected thereby;

(f) amend, modify or waive any provision of Section 3 without the consent of each Issuing Lender affected thereby;

(g) impose restrictions on assignments and participations that are more restrictive than, or additional to, those set forth in Section 10.6 without the consent of each Lender directly affected thereby; or

(h) amend, modify or waive (x) the definitions of "Acceptable Lease," "Additional Borrowing Base Properties," "Borrowing Base," "Borrowing Base Properties," "Borrowing Base Value," "Capitalization Rate," "Eligible Borrowing Base Property," "Maximum Facility Availability" or "Total Asset Value," (and, with respect to each such definition, the related defined terms used therein, solely to the extent such related defined terms are used in the calculation of the Borrowing Base) or (y) the definitions of "Debt Service Coverage Amount" (and the related defined terms used therein), "Net Operating Income" (and the related defined terms used therein) or any other defined terms (and the related defined terms used therein) used in the financial covenants set forth in Section 7.1, or (z) Section 2.10, 5.3 or 5.4, in each case, without the consent of the Supermajority Lenders.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Agents and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Agents shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section; provided, that delivery of an executed signature page of any such instrument by facsimile transmission or electronic communication shall be effective as delivery of a manually executed counterpart thereof.

10.2 Notices. (a) All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed (i) in the case of the REIT, the Borrower and the Agents, as follows, (ii) in the case of the Lenders, as set forth in an administrative questionnaire delivered to the Administrative Agent or, in the case of a Lender which becomes a party to this Agreement pursuant to an Assignment and Assumption substantially in the form of Exhibit E, in such Assignment and Assumption or (iii) in the case of any party, to such other address as such party may hereafter notify to the other parties hereto:

The REIT and the Borrower:	Chatham Lodging Trust Chatham Lodging, L.P. 50 Cocoanut Row Suite 200 Palm Beach, FL 33480 Attention: Mr. Jeffrey Fisher Telecopy: (561) 659-7318 Telephone: (561) 802-4477
with a copy to:	Chief Financial Officer Chatham Lodging Trust 30 Cocoanut Row Suite 200 Palm Beach, FL 33480
The Administrative Agent:	Barclays Bank PLC 745 Seventh Avenue New York, NY 10019 Attention: Craig Malloy Telecopy: (646) 758-4617 Telephone: (212) 526-7150
Issuing Lender:	As notified by such Issuing Lender to the Administrative Agent and the Borrower

provided that any notice, request or demand to or upon any Agent, any Issuing Lender or any Lender shall not be effective until received.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made herein, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5 Payment of Expenses. Each of the REIT and the Borrower jointly and severally agrees (a) to pay or reimburse the Agents for all their reasonable out-of-pocket costs and expenses incurred in connection with the syndication of the Revolving Credit Commitments (other than fees payable to syndicate members) and the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements and other charges of counsel to the Administrative Agent and the charges of Intralinks, (b) to pay or reimburse each Lender and the Agents for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any other documents prepared in connection herewith or therewith, including, without limitation, the fees and disbursements of counsel (including the allocated fees and disbursements and other charges of in-house counsel) to each Lender and of counsel to the Agents, (c) to pay, indemnify, or reimburse each Lender and the Agents for, and hold each Lender and the Agents harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify or reimburse each Lender, each Agent, their respective affiliates, and their respective officers, directors, trustees, employees, advisors, agents and controlling persons (each, an "Indemnitee") for, and hold each Indemnitee harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever incurred by an Indemnitee or asserted against any Indemnitee by any third party or by the REIT, the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document, any commitment letter or fee letter in connection therewith, or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds thereof (including any refusal by any Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Materials of Environmental Concern on or from any property owned, occupied or operated by the REIT, the Borrower or any of their respective Subsidiaries, or any environmental liability related in any way to the Borrower or any of their respective Subsidiaries or any of their respective properties, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by any third party or by the REIT, the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that neither the REIT nor the Borrower shall have any obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to

the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by unauthorized persons of information or other materials sent through electronic, telecommunications or other information transmission systems that are intercepted by such persons or for any special, indirect, consequential or punitive damages in connection with the Revolving Credit Commitments. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries so to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section shall be payable not later than 30 days after written demand therefor. Statements payable by each of the REIT and the Borrower pursuant to this Section shall be submitted to Dennis Craven, Chief Financial Officer (Telephone No. (561) 227-1386) (Fax No. (561) 650-0958), at the address of the REIT and the Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the REIT or the Borrower in a notice to the Administrative Agent. The agreements in this Section shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of the REIT, the Borrower, the Lenders, the Agents, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agents and each Lender.

(b) Any Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant") participating interests in any Loan owing to such Lender, any Revolving Credit Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would require the consent of all Lenders pursuant to Section 10.1. The Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, provided that, in purchasing such participating interest, such Participant

shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7(a) as fully as if such Participant were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.17, 2.18 or 2.19 with respect to its participation in the Revolving Credit Commitments and the Loans outstanding from time to time as if such Participant were a Lender; provided that, in the case of Section 2.18, such Participant shall have complied with the requirements of said Section, and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "Assignor") may, in accordance with applicable law and upon written notice to the Administrative Agent, at any time and from time to time assign to any Lender or any affiliate, Related Fund or Control Investment Affiliate thereof or, with the consent of the Borrower and the Administrative Agent and, in the case of any assignment of Revolving Credit Commitments, the written consent of the Issuing Lender and the Swing Line Lender (which, in each case, shall not be unreasonably withheld or delayed) (provided that no such consent need be obtained by the Arrangers or the Administrative Agent, each in its capacity as a Lender), to an additional bank, financial institution or other entity (an "Assignee") all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Assumption, substantially in the form of Exhibit E, executed by such Assignee and such Assignor (and, where the consent of the Borrower, the Administrative Agent or the Issuing Lender or the Swing Line Lender is required pursuant to the foregoing provisions, by the Borrower and such other Persons) and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that no such assignment to an Assignee (other than any Lender or any affiliate thereof) shall be in an aggregate principal amount of less than $5,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), unless otherwise agreed by the Borrower and the Administrative Agent. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Assumption, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Assumption, have the rights and obligations of a Lender hereunder with the Revolving Credit Commitments and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto, except as to Section 2.17, 2.18 and 10.5 in respect of the period prior to such effective date); provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 10.6(b). In the event that Borrower fails to object by written notice within five Business Days after the receipt of a request to approve an assignment pursuant to this Section 10.6(c), the Borrower shall be deemed to have consented to such assignment. Notwithstanding any provision of this Section, the consent of the Borrower shall not be required for any assignment that occurs at any time when any Event of Default shall have occurred and be continuing. For purposes of the minimum assignment amounts set forth in this paragraph, multiple assignments by two or more Related Funds shall be aggregated.

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 10.2 a copy of each Assignment and Assumption delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Revolving Credit Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, each Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing such Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Assumption; thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated Assignee, and the old Notes shall be returned by the Administrative Agent to the Borrower marked "canceled". The Register shall be available for inspection by the Borrower or any Lender (with respect to any entry relating to such Lender's Loans) at any reasonable time and from time to time upon reasonable prior notice. Each Lender that sells a participation, acting for this purpose as a non-fiduciary agent (solely for tax purposes) shall maintain a register on which it enters the name and address of each participant and the principal amounts of each participant's interest in the Revolving Credit Commitments, Loans and other Obligations held by it (the "Participant Register"); provided that, no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such interest in the Revolving Credit Commitments, Loans and other Obligations as the owner thereof for all purposes of this Agreement notwithstanding any notice to the contrary.

(e) Upon its receipt of an Assignment and Assumption executed by an Assignor and an Assignee (and, in any case where the consent of any other Person is required by Section 10.6(c), by each such other Person) together with payment to the Administrative Agent of a registration and processing fee of $3,500 (treating multiple, simultaneous assignments by or to two or more Related Funds as a single assignment) (except that no such registration and processing fee shall be payable (x) in connection with an assignment by or to the Arrangers, the Administrative Agent or their Control Investment Affiliates or (y) in the case of an Assignee which is already a Lender or is an affiliate or Related Fund of a Lender or a Person under common management with a Lender), the Administrative Agent shall (i) promptly accept such Assignment and Assumption and (ii) on the effective date determined pursuant thereto record the

information contained therein in the Register and give notice of such acceptance and recordation to the Borrower. On or prior to such effective date, the Borrower, at its own expense, upon request, shall execute and deliver to the Administrative Agent (in exchange for the Revolving Credit Note of the assigning Lender) a new Revolving Credit Note to the order of such Assignee in an amount equal to the Revolving Credit Commitment assumed or acquired by it pursuant to such Assignment and Assumption and, if the Assignor has retained a Revolving Credit Commitment upon request, a new Revolving Credit Note to the order of the Assignor in an amount equal to the Revolving Credit Commitment retained by it hereunder. Such new Note or Notes shall be dated the Closing Date and shall otherwise be in the form of the Note or Notes replaced thereby.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests in Loans and Notes, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(g) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Revolving Credit Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any state thereof. In addition, notwithstanding anything to the contrary in this Section 10.6(g), any SPC may (A) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender, or with the prior written consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld) to any financial institutions providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans, and (B) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC; provided that non-public information with respect to the Borrower may be disclosed only with the Borrower's consent which will not be unreasonably withheld. This paragraph (g) may not be amended without the written consent of any SPC with Loans outstanding at the time of such proposed amendment.

(h) No such assignment shall be made to (i) the Borrower or any of the Borrower's Affiliates or Subsidiaries or (ii) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (ii).

(i) No such assignment shall be made to a natural Person.

(j) In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, each Issuing Lender, the Swing Line Lender and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swing Line Loans in accordance with its Revolving Credit Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.]

10.7 Adjustments; Set-off. (a) Except to the extent that this Agreement provides for payments to be allocated to a particular Lender or to the Lenders, if any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8.1(f) or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Obligations, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Obligations, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) Subject to Sections 10.7(c) and (d), in addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the REIT or the Borrower, any such notice being expressly waived by the REIT and the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the REIT or the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or

unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the REIT or the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

(c) Each Lender hereby acknowledges that the exercise by any Lender of offset, set-off, banker's lien or similar rights against any deposit account or other property or asset of the Borrower or any other Group Member could result under certain laws in significant impairment of the ability of all Lenders to recover any further amounts in respect of the Obligations. Each Lender hereby agrees not to charge or offset any amount owed to it by Borrower against any of the accounts, property or assets of the Borrower or any other Group Member held by such Lender without the prior written approval of the Required Lenders.

(d) In the event that any Defaulting Lender shall exercise any such right of setoff, all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.24 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of the REIT, the Borrower, the Agents, the Arrangers and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arrangers, any Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 Submission To Jurisdiction; Waivers. Each of the REIT and the Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the REIT or the Borrower, as the case may be at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

For avoidance of doubt, nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Lender or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

10.13 Acknowledgments. Each of the REIT and the Borrower hereby acknowledges that:

(a) it has been advised by and consulted with its own legal, accounting, regulatory and tax advisors (to the extent it deemed appropriate) in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) none of the Arrangers, any Agent nor any Lender has any fiduciary relationship with or duty to the REIT or the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Arrangers, the Agents and the Lenders, on one hand, and the REIT and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor;

(c) it is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and

(d) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arrangers, the Agents and the Lenders or among the REIT, the Borrower and the Lenders.

10.14 Confidentiality. Each of the Agents and the Lenders agrees to keep confidential all non-public information provided to it by any Loan Party pursuant to this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent any Agent or any Lender from disclosing any such information (a) to the Arrangers, any Agent, any other Lender or any affiliate of any thereof, (b) to any Participant or Assignee (each, a "Transferee") or prospective Transferee that agrees to comply with the provisions of this Section or substantially equivalent provisions, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) to any financial institution that is a direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section), (e) upon the request or demand of any Governmental Authority having jurisdiction over it, (f) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (g) in connection with any litigation or similar proceeding, (h) that has been publicly disclosed other than in breach of this Section, (i) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (j) in connection with the exercise of any remedy hereunder or under any other Loan Document.

10.15 Release of Collateral and Guarantee Obligations. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any Disposition of Property permitted by the Loan Documents, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in any Collateral being Disposed of in such Disposition, and to release any guarantee obligations under any Loan Document of any Person being Disposed of in such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents.

(b) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any incurrence of Indebtedness permitted by Section 7.2, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in any Collateral to be subject to a Lien permitted by Section 7.3, and to release any guarantee obligations under any Loan Document of the Person incurring such Indebtedness, to the extent necessary to permit the incurrence of such Indebtedness (and the granting of Liens to secure such Indebtedness) in accordance with the Loan Documents, provided that, the Borrower shall deliver to the

Administrative Agent a pro forma Compliance Certificate (i) certifying that, immediately prior to and after giving effect to the incurrence of such Indebtedness, no Default or Event of Default shall have occurred and be continuing, (ii) containing all information and calculations necessary, and taking into consideration such Indebtedness, for determining pro forma compliance with the provisions of Section 7.1 hereof and the Borrowing Base and (iii) with respect to any Borrowing Base Property, certifying that the conditions set forth for the release of such Borrowing Base Property in Section 5.4 have been satisfied.

(c) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any transaction undertaken by the Borrower pursuant to which the removal of certain Collateral is necessary or advisable to facilitate such transaction, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in such Collateral and, if such Collateral is comprised of a Person, to release any guarantee obligations under any Loan Document of such Person, but only to the extent reasonably necessary to facilitate the transaction being undertaken by the Borrower, provided that, the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate (i) certifying that, immediately prior to and after giving effect to the removal of such Collateral, no Default or Event of Default shall have occurred and be continuing, (ii) containing all information and calculations necessary, and taking into consideration the removal of such Collateral, for determining pro forma compliance with the provisions of Section 7.1 hereof and the Borrowing Base and (iii) with respect to any Borrowing Base Property, certifying that the conditions set forth for the release of such Borrowing Base Property in Section 5.4 have been satisfied.

(d) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations (other than obligations in respect of any Specified Hedge Agreement) have been paid in full, all Revolving Credit Commitments have terminated or expired and no Letter of Credit shall be outstanding, upon request of the Borrower, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement) take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations under any Loan Document, whether or not on the date of such release there may be outstanding Obligations in respect of Specified Hedge Agreements. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

10.16 Accounting Changes. In the event that any Accounting Change (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Change with the desired result that the

criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Change as if such Accounting Change had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Change had not occurred. "Accounting Change" refers to any change in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board or, if applicable, the SEC, or a change in the Uniform System of Accounts.

10.17 Waivers of Jury Trial. THE REIT, THE BORROWER, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.18 Effect of Amendment and Restatement of the Existing Credit Agreement. On the Effective Date, the Existing Credit Agreement shall be amended, restated and superseded in its entirety. Each Loan Party hereby reaffirms its duties and obligations under each Loan Document to which it is a party. Each reference to the Credit Agreement in any Loan Document shall be deemed to be a reference to the Existing Credit Agreement as amended and restated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

CHATHAM LODGING TRUST, as the REIT

By: _____
Name:
Title:

CHATHAM LODGING, L.P., as Borrower

By: Chatham Lodging Trust, its general partner

By: _____
Name:
Title:

Signature Page to Amended and Restated Credit Agreement]

BARCLAYS BANK PLC,
as Administrative Agent and Lender

By: _____
Name:
Title:

Signature Page to Amended and Restated Credit Agreement]

[LENDER]

By: _____
Name:
Title:

Signature Page to Amended and Restated Credit Agreement]

Commitments

Lender	Revolving Credit Commitment
Barclays Bank PLC	$ [_____]
	$ [_____]
	$ [_____]
	$ [_____]
	$ [_____]

Qualified Managers

Concord Hospitality
Interstate Hotels
Island Hospitality
Hilton Worldwide
Marriott International

And any Wholly-Owned Subsidiaries of the above management organizations.

EXHIBIT 21.1

List of Subsidiaries of Chatham Lodging Trust

	Name	State of Incorporation of Organization
1.	Chatham Lodging L.P.	Delaware
2.	Chatham TRS Holding, Inc.	Florida
3.	Chatham TRS Holding II, Inc.	Delaware
4.	Chatham Leaseco I, LLC	Florida
5.	Chatham Maitland HS LLC	Delaware
6.	Chatham Billerica HS LLC	Delaware
7.	Chatham Bloomington HS LLC	Delaware
8.	Chatham Brentwood HS LLC	Delaware
9.	Chatham Dallas HS LLC	Delaware
10.	Chatham Farmington HS LLC	Delaware
11.	Chatham Houston HAS LLC	Delaware
12.	Chatham Houston HAS Leaseco LLC	Delaware
13.	Chatham Holtsville RI LLC	Delaware
14.	Chatham Holtsville RI Leaseco LLC	Delaware
15.	Chatham Holtsville RI Utility LLC	Delaware
16.	Chatham Altoona CY LLC	Delaware
17.	Chatham Altoona CY Leaseco LLC	Delaware
18.	Chatham Wash PA SHS LLC	Delaware
19.	Chatham Wash PA SHS Leaseco LLC	Delaware
20.	Chatham White Plains RI LLC	Delaware
21.	Chatham White Plains RI Leaseco LLC	Delaware
22.	Chatham New Rochelle RI LLC	Delaware
23.	Chatham New Rochelle RI Leaseco LLC	Delaware
24.	Chatham Carlsbad HS LLC	Delaware
25.	Chatham Carlsbad HS Leaseco LLC	Delaware
26.	Chatham RIGG LLC	Delaware
27.	Chatham RIGG Leaseco LLC	Delaware
28.	Chatham RIMV LLC	Delaware
29.	Chatham RIMV Leaseco LLC	Delaware
30.	Chatham San Antonio LLC	Delaware
31.	Chatham San Antonio Leaseco LLC	Delaware
32.	Chatham Washington DC LLC	Delaware
33.	Chatham Washington DC Leaseco LLC	Delaware
34.	Chatham Tysons RI LLC	Delaware
35.	Chatham Tysons RI Leaseco LLC	Delaware
36.	Chatham Portland DT LLC	Delaware
37.	Chatham Portland DT Leaseco LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-162889) of Chatham Lodging Trust of our report dated March 14, 2013 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
March 14, 2013

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-162889) of Chatham Lodging Trust of our report dated March 14, 2013 relating to the financial statements of Ink Acquisition, LLC and Affiliates, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
March 14, 2013

EXHIBIT 31.1

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 annual report on Form 10-K 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 period 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

5. 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: March 14, 2013

/s/ JEFFREY H. FISHER
Jeffrey H. Fisher
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

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

I, Dennis M. Craven, certify that:

1. I have reviewed this annual report on Form 10-K 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 period 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

5. 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: March 14, 2013

/S/ DENNIS M. CRAVEN
Dennis M. Craven
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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 Report of Chatham Lodging Trust (the "Company") on Form 10-K for the year ended December 31, 2012 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, Dennis M. Craven, Executive 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: March 14, 2013

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

/s/ DENNIS M. CRAVEN

Dennis M. Craven

Executive Vice President and Chief Financial Officer

A signed original of this statement has been provided to Chatham Lodging Trust and will be retained by Chatham Lodging Trust and furnished to the Securities and Exchange Commission or its staff upon request.