

**CHATHAM LODGING TRUST**  
**AUDIT COMMITTEE CHARTER**

The following shall constitute the Charter of the Audit Committee of the board of trustees (“Board”) of Chatham Lodging Trust (the “Company”):

**I. ORGANIZATION**

There shall be constituted a standing committee of the Board to be known as the Audit Committee.

**II. COMPOSITION AND SELECTION**

The Audit Committee shall be composed of three or more trustees. The members of the Audit Committee shall meet the independence and experience requirements of the New York Stock Exchange (“NYSE”).

All members of the Audit Committee shall have a requisite working familiarity with basic finance and accounting practices in compliance with the rules of the NYSE. At least one member of the Committee must be an “audit committee financial expert,” as such term is defined by the Securities and Exchange Commission (the “Commission”).

No member of the Audit Committee may serve on the audit committees of more than three public companies.

The Board shall, upon recommendation of the Nominating & Governance Committee (“Governance Committee”), (a) appoint Audit Committee members, (b) remove Audit Committee members and (c) elect a Chairman of the Audit Committee. The members of the Audit Committee shall serve for one year or until their successors are duly elected and qualified.

The duties and responsibilities of Audit Committee members contained herein shall be in addition to those duties otherwise required for members of the Board.

**III. STATEMENT OF PURPOSE**

The primary function of the Audit Committee shall be to assist the Board in discharging its oversight responsibilities relating to the Company’s accounting, system of internal controls over financial reporting, and financial practices, by monitoring (1) these practices, generally; (2) the quality and integrity of the financial statements and other financial information provided by the Company to any governmental body or the public; (3) the Company’s compliance with legal and regulatory requirements; (4) the independent auditor’s qualifications and independence; and (5) the performance of the Company’s independent auditors and internal audit functions.

**IV. COMMITTEE OBJECTIVES**

The Audit Committee’s primary objectives include (1) providing an independent, direct and open avenue of communication among the Company’s independent accountants, management, internal

auditing function, and the Board; (2) serving as an independent and objective party to review the Company's financial reporting processes and internal control over financial reporting; (3) overseeing with management the reliability and integrity of the Company's accounting policies and financial reporting and disclosure practices; (4) reviewing and considering the work of the Company's independent auditors and internal auditors (whether this function is performed internally or by a third party service provider other than the Company's independent auditors); (5) reviewing the adequacy of the internal auditors' staffing and the qualifications of its personnel; and (6) reviewing whether available technology is being used to maximize the efficiency and effectiveness of the internal audit function.

## **V. COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Audit Committee shall have the sole authority to appoint, retain, compensate, evaluate and terminate the independent auditor and shall approve in advance all audit and permissible non-audit engagements, including fees and terms, with the independent auditor. The Chairman of the Audit Committee shall have the right to pre-approve permissible non-audit services on behalf of the Audit Committee and shall promptly advise the other members of the Audit Committee of such approval at the next regularly scheduled meeting.

The Audit Committee may form subcommittees and delegate authority to subcommittees when appropriate, provided that all of the members of such subcommittees shall qualify as independent under NYSE rules and regulations.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to (a) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities and duties and/or (b) retain special legal, accounting or other consultants to advise the Committee. The Audit Committee shall have the authority to retain and compensate such advisors without seeking further approval and shall receive appropriate funding, as determined by the Audit Committee, from the Company to compensate such advisors. The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist the Committee in the conduct of any investigation.

The Audit Committee shall:

### Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the Company's 'critical accounting policies' and financial reporting issues and judgments that may be viewed as critical; review and discuss analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements, including analyses of the effects of alternative generally accepted accounting principles ("GAAP") methods on the financial statements; consider and approve, when appropriate, any significant changes in the Company's accounting and auditing policies; review and discuss any accounting and financial reporting proposals that may have a significant impact on the Company's financial reports;

2. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and recommend to the Board whether the audited financial statements should be included in the Company’s Annual Report on Form 10-K;
3. Review with the independent auditor and management the adequacy and effectiveness of the Company’s internal accounting and financial controls; review management’s report of any significant deficiencies in the system of internal control over financial reporting which could adversely affect the Company’s ability to record, process, summarize and report financial data and report on any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s system of internal control over financial reporting; review the independent auditor’s ability to attest to and report on management’s assertion on its assessment of the effectiveness of the Company’s system of internal control over financial reporting and its financial reporting procedures in its Annual Report on Form 10-K;
4. Review and discuss with management and the independent auditor the Company’s quarterly financial statements, including the results of the independent auditor’s reviews of the quarterly financial statements and the disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” prior to the filing of its Form 10-Q;
5. Prior to the Company’s filing of its Annual Report on Form 10-K or a Quarterly Report on Form 10-Q, review the basis for the certifications and reports of the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) required by the Commission to be included in or with the Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be;
6. Review and discuss with management and the independent auditor: (a) any material financial or non-financial arrangements of the Company which do not appear on the financial statements of the Company; (b) any transactions or courses of dealing with parties related to the Company which transactions are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties and which are relevant to an understanding of the Company’s financial statements; and (c) any pending litigation and other contingent liabilities;
7. Review and discuss with management its policies and practices regarding earnings press releases, as well as financial information and earnings guidance given to analysts and ratings agencies, giving attention to any use of “pro forma”, “adjusted” or “non-GAAP financial measures” or information; The Audit Committee may, but is not required to discuss in advance of publication each earnings release or each instance in which the Company provides earnings guidance. The Chairman of the Audit Committee may represent the entire Audit Committee for purposes of this discussion.

8. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies;
9. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the Company's financial statements;
10. Provide the report for inclusion in the Company's Annual Proxy Statement required by Item 407(d)(3)(i) of Regulation S-K promulgated by the Securities and Exchange Commission;

#### Oversight of the Company's Relationship with the Independent Auditor

11. Obtain and review a formal written report by the independent auditor, at least annually, which report shall include descriptions of: (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities in the preceding five years respecting one or more independent audits carried out by the firm; (c) any steps taken to deal with such issues; (d) all relationships between the independent auditor and the Company; and (e) any other relationships that may adversely affect the independence of the auditor. The Audit Committee should assess the independence of the independent auditor, including that of the independent auditor's lead partner, based on a review of the written report and recommend to the Board that it take appropriate action in response to the report to satisfy the independence requirements.
12. Evaluate the qualifications, experience, performance and independence of the senior members of the independent auditor team, including that of the independent auditor's lead and concurring partners, taking into consideration the opinions of management and the internal auditors; present its conclusions with respect to such evaluations to the full Board;
13. Set clear hiring policies for employees or former employees of the independent auditors, taking into account pressures that may exist for auditors consciously or subconsciously seeking a job with the Company;
14. Discuss with the independent auditor its ultimate accountability to the Board through the Audit Committee;
15. Establish policies and procedures for the engagement of the independent auditor to provide permissible non-audit services; consider whether the independent auditor's performance of permissible non-audit services is compatible with the auditor's independence;
16. Assure the regular rotation of the lead and concurring audit partners as required by law, and consider whether there should be regular rotation of the independent auditing firm itself, in order to assure continuing independence of the independent auditor;

## Process Improvement

17. Establish regular and separate systems of reporting to the Audit Committee by the Company's management, the independent auditor and the internal auditors regarding any significant judgments made in management's preparation of the financial statements, and the view of each as to the appropriateness of such judgments;
18. Review and discuss with the independent auditor the annual audit planning and procedures, including the scope, fees, staffing and timing of the audit; review and discuss the results of the audit exam and management letters, and any reports of the independent auditor with respect to any interim period;
19. Review with the Company's internal auditors and the independent auditor the coordination of their audit efforts to assure completeness of coverage, reduction of redundant efforts and effective use of audit resources;
20. Review separately with the Company's management, the independent auditor and the internal auditors, following completion of the Company's annual audit, any significant difficulties encountered during the course of the audit, including: (a) difficulties with management's response; (b) any restrictions on the scope of work or access to required information; and (c) the nature and extent of any significant changes in accounting principles or the application therein;
21. Discuss with the outside auditor and management any 'management letter' provided by the outside auditor and any other significant matters brought to the attention of the Audit Committee by the outside auditor;
22. Review any significant disagreement among the Company's management and its independent auditor or the internal auditors in connection with the preparation of the Company's financial statements;
23. Review with the independent auditor any audit problems or difficulties and management's response. Such review shall include any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); review any "management" or "internal control" letters issued, or proposed to be issued, by the audit firm to the Company and any discussions with the independent auditor's national office respecting auditing or accounting issues presented by the engagement;
24. Review with the Company's independent auditor, the internal auditors and management the extent to which changes or improvements in financial or accounting practices and standards, as approved by the Audit Committee, have been implemented, with such review to be conducted at an appropriate amount of time subsequent to implementation of any changes or improvements thereto, as decided by the Audit Committee in its discretion;

### Oversight of the Company's Internal Audit Function

25. Review the appointment, replacement, reassignment or dismissal of the members of the Company's internal auditors;
26. Review the regular internal reports to management prepared by the internal auditors and management's responses;
27. Discuss with the independent auditor the internal auditors' responsibilities, budget and staffing, and any recommended changes in the planned scope of the internal audit;

### Compliance Oversight Responsibilities

28. Obtain from the independent auditor assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated;
29. Obtain reports from management, the Company's internal auditors and the independent auditor that the Company and its subsidiary entities are in conformity with applicable legal requirements and the Company's Code of Conduct; review reports and disclosures of insider and affiliated party transactions; advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Conduct;
30. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies;
31. Review any material pending legal proceedings involving the Company and other contingent liabilities; discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies;
32. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

### General

33. Make regular reports to the Board, and review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.
34. Review and reassess the adequacy of this Charter, at least annually, and recommend any proposed changes to the Board for approval;

35. Annually review and evaluate its own performance;

## **VI. OVERSIGHT OF LEGAL COMPLIANCE**

36. Review with the Company's counsel legal compliance matters, including securities trading policies and tax compliance matters;

37. Review the procedures established by the Company that monitor the Company's compliance with its loan and, if applicable, indenture covenants and restrictions; and

38. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

## **VII. MEETINGS**

The Audit Committee shall meet, as often as may be deemed necessary or appropriate in its judgment, but at least quarterly, with the Company's management, internal auditors and independent auditors, in separate executive sessions. The agenda for Audit Committee meetings will be prepared by management in consultation with the Chairman of the Audit Committee. Following each meeting, the Audit Committee shall report to the Board at the next regularly scheduled Board meeting, or sooner, as circumstances may dictate.

In addition, the Chairman of the Audit Committee shall meet each quarter, in person or by telephone, with the Company's independent accountants, chief accounting officer and chief financial officer to review the Company's financial statements.

The Chairman of the Audit Committee, the CEO, the CFO, the Chief Accounting Officer, the General Counsel or a majority of the members of the Audit Committee may call other meetings of the Audit Committee, upon reasonable notice to all members of the Audit Committee and otherwise in the manner provided for in the Company's Bylaws. The provisions set forth in the Company's Bylaws for meetings of the Board and its committees shall govern the quorum and voting requirements for all meetings of the Audit Committee.

## **VIII. LIMITATION OF AUDIT COMMITTEE'S ROLE**

In the exercise of its oversight, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements fairly present the Company's financial position and results of operation and are in accordance with GAAP. Any use in this Charter of the term 'review' should not be interpreted to suggest that the Audit Committee members can or should follow the procedures required of auditors performing reviews of financial statements. This Charter is not intended to impair the operation of the business judgment rule under Maryland law or the right of Audit Committee members under Maryland law to rely in its oversight role on the Company's records and other information presented by its officers or employees or by outside experts.

## **IX. COMPENSATION**

The Audit Committee members shall be entitled to compensation for being members of the Audit Committee as such fees are established from time to time by the Board in accordance with its Code of Governance. Each member of the Audit Committee shall be entitled to be reimbursed for reasonable out-of-pocket expenses incurred by such member in attending meetings of the Audit Committee and in performing his or her duties as a member of the Audit Committee. No member of the Audit Committee shall receive from the Company any compensation other than his or her fees for serving as a trustee and a member of the Audit Committee or any other committee of the Board.

## **X. CONSISTENCY WITH DECLARATION OF TRUST**

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the Amended and Restated Declaration of Trust, the Bylaws of the Company or any applicable law or regulation, the Amended and Restated Declaration of Trust or the Bylaws or the law or regulation, as appropriate, shall fully control.

## **XI. CERTIFICATION**

This Audit Committee Charter was duly approved and adopted by the Board of the Company on the 9th day of April, 2010.

/s/ Peter Willis  
Secretary