As filed with the Securities and Exchange Commission on December 7, 2009

Registration No. 333-162889

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to

Form S-11

FOR REGISTRATION
UNDER
THE SECURITIES ACT OF 1933
OF SECURITIES
OF CERTAIN REAL ESTATE COMPANIES

CHATHAM LODGING TRUST

(Exact name of registrant as specified in governing instruments)

50 Cocoanut Row, Suite 200
Palm Beach, Florida 33480
(561) 802-4477
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey H. Fisher
Chief Executive Officer
50 Cocoanut Row, Suite 200
Palm Beach, Florida 33480
(561) 802-4477
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the Securities registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

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. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subjected to Completion, dated , 2009

PROSPECTUS

Shares

CHATHAM LODGING TRUST

Common Shares

This is the initial public offering of the common shares of beneficial interest, or common shares, of Chatham Lodging Trust. We are offering common shares. No public market currently exists for our common shares.

We expect to apply for listing of our common shares on the New York Stock Exchange under the symbol " ."

Concurrently with the closing of this offering, in a separate private placement pursuant to Regulation D under the Securities Act of 1933, we will sell common shares (representing $10 million) to our chief executive officer, Jeffrey H. Fisher, at a price per share equal to the price to the public, and without payment by us of any underwriting discount or commission.

We anticipate that the initial public offering price will be $ per share.

Investing in our common shares involves risks. See "Risk Factors" beginning on page 10 of this prospectus for a discussion of the following and other risks that you should consider before investing in our common shares:

- We are recently formed and have no operating history. We have entered into an agreement to acquire six hotels following closing of this offering, although we have not identified any other specific hotel properties to acquire or committed a substantial portion of the net proceeds of this offering to any other specific hotel property investment. Investors will not be able to evaluate the economic merits of investments we make with a substantial portion of the net proceeds prior to purchasing common shares in this offering. We may be unable to invest the proceeds on acceptable terms, or at all.
- There can be no assurance that we will complete the acquisition of the six hotels that we currently have under contract to purchase.
- Our success will depend upon the efforts and expertise of our management team. The loss of their services could have an adverse impact on our business.
- Failure of lodging industry fundamentals to improve may adversely affect our ability to execute our business strategy.
- In order to qualify as a REIT, we will not be able to operate our hotels, and our returns will depend on the management of our hotels by third-party hotel management companies.
- Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our shareholders and may have significant adverse consequences on the market price of our common shares.
- Because our chief executive officer, Mr. Fisher, owns 90% of Island Hospitality Management Inc., or IHM, a hotel management company that we may engage to manage certain hotels we acquire, conflicts of interest may arise as to the terms of management agreements between us and IHM.

	Per Share	Total
Price to the public	$	$
Underwriting discounts and commissions	$	$
Proceeds to us (before expenses)	$	$

We have granted the underwriters the option to purchase up to an additional common shares from us, at the offering price, less the underwriting discount, within 30 days of the date of this prospectus to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Barclays Capital, on behalf of the underwriters, expects to deliver the common shares on or about , 20 .

Barclays Capital

Prospectus dated , 20

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by us or information to which we have referred you. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or another date specified herein. Our business, financial condition and prospects may have changed since such dates.

Until (the 25th day after the date of this prospectus), all dealers that effect transactions in our common shares, whether or not participating in the offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common shares. You should read the entire prospectus, including "Risk Factors" before making a decision to invest in our common shares. In this prospectus, references to "our company," "we," "us," and "our" mean Chatham Lodging Trust and our subsidiaries and references to our "operating partnership" mean Chatham Lodging, L.P. Unless otherwise indicated, the information contained in this prospectus assumes (1) the common shares to be sold to the public in this offering will be sold at $ per share, (2) the sale in a concurrent private placement to Jeffrey H. Fisher of common shares at a price per share equal to the initial public offering price per share and without the payment of any underwriting discount or commission by us and (3) no exercise by the underwriters of their overallotment option to purchase up to additional common shares.

Overview

We are a self-advised hotel investment company organized in October 2009 to invest in premium-branded upscale extended-stay, select-service, and full-service hotels. We expect that a significant portion of our portfolio will consist of hotels in the upscale extended-stay category, including brands such as Residence Inn by Marriott®, Homewood Suites by Hilton® and Summerfield Suites by Hyatt®. Upscale extended-stay hotels typically have the following characteristics:

- their principal customer base includes business travelers who are on extended assignments and corporate relocations;
- their 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
- their physical facilities include large suites, quality construction, full separate kitchens in each guest suite, quality room furnishings, pool, and exercise facilities.

We also intend to invest in premium-branded select-service hotels such as Courtyard by Marriott®, Hampton Inn® and Hampton Inn and Suites®. 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. In addition, we intend to selectively invest in premium-branded full-service hotels. The service and amenity offerings of these hotels often include full-service restaurants, lounges, room service, meeting rooms, banquet and catering services, as well as high-speed internet access, local calls, in-room movie channels, and daily linen and room cleaning service. We intend to invest primarily in hotels in the 25 largest metropolitan markets in the United States. We believe that current market conditions will create attractive opportunities to acquire high quality hotels at cyclically low prices that will benefit from an improving economy and our aggressive asset management.

Our management team, led by our chief executive officer, Jeffrey H. Fisher, has extensive experience acquiring, developing, financing, repositioning, managing and selling hotels. Prior to forming Chatham Lodging Trust, Mr. Fisher served as chairman, chief executive officer and president of Innkeepers USA Trust, or Innkeepers, a New York Stock Exchange-listed hotel real estate investment trust, or REIT, from its inception in 1994 through its sale in June 2007. Mr. Fisher successfully grew Innkeepers from a portfolio of seven hotels at the time of its initial public offering, or IPO, in 1994 to 74 hotels at the time of its sale and delivered strong returns for Innkeepers' shareholders. Seven of the eight members of the board of trustees of Innkeepers at the time of its sale in June 2007 have agreed to serve as trustees of our company effective upon closing of this offering.

We have entered into an agreement to purchase six high quality, upscale all-suite extended stay hotels located in attractive markets from wholly owned subsidiaries of RLJ Development, LLC for

an aggregate purchase price of $73.5 million. Each of these initial hotels, which we refer to collectively in this prospectus as the initial acquisition hotels, operates under the Homewood Suites by Hilton® brand. The initial acquisition hotels contain an aggregate of 813 suites and are located in the major metropolitan statistical areas, or MSAs, of Boston, Massachusetts; Minneapolis, Minnesota; Nashville, Tennessee; Dallas, Texas; Hartford, Connecticut and Orlando, Florida. The upscale all-suite residential style Homewood Suites by Hilton® brand caters to travelers typically seeking home-like amenities from a hotel when traveling for several days or more. Each spacious suite typically offers separate living and sleeping areas and a fully operational kitchen to satisfy guests' needs for comfort, flexibility and convenience.

We believe that our senior management's relationship and successful past transaction history while at Innkeepers with RLJ Development, LLC, the parent company of the sellers of the six initial acquisition hotels, helped facilitate this attractive off-market transaction. We believe that there are a limited number of potential buyers currently able to compete for acquisitions of portfolios such as the initial acquisition hotels since there are no current public lodging REITs primarily focused on acquiring and owning upscale extended-stay hotels and many potential private buyers may not have access to sufficient equity or debt capital to complete acquisitions of this size.

The initial acquisition hotels have a number of attractive characteristics that make them an excellent fit with our business strategy:

- Our purchase price of $90,406 per room represents a substantial discount to our estimate of replacement cost.
- The hotels are located in major MSAs.
- The hotels are attractively situated within their markets in areas with high barriers to entry, since little comparable land is available to build new competing hotels.
- The hotels are located near multiple demand generators that contribute both business and leisure guests, including major office parks, universities, airports and leading regional and international tourist attractions.
- The hotels have the opportunity for significant performance improvement when the economy recovers.
- The hotels have potential to benefit from additional capital investment at a time when we believe few competitors can afford to reinvest in their properties.
- The hotels are upscale extended-stay properties that operate under the high quality Homewood Suites by Hilton® brand.

We believe this acquisition demonstrates our ability to execute our business strategy of acquiring high quality upscale extended-stay and premium-branded select service hotels located in markets with strong growth potential and high barriers to entry at attractive prices. The initial acquisition hotels will provide us with a strong initial platform to faciliate the future growth of our company.

We will own each of the initial acquisition hotels in fee simple and will lease the hotels to subsidiaries of our taxable REIT subsidiary, or TRS, Chatham TRS Holding, Inc. We refer to our TRS and its lessee subsidiaries as our TRS lessees. Our TRS lessees will assume the existing management agreements with the current manager, Promus Hotels, Inc., a subsidiary of Hilton Hotels Corporation, or Hilton, which will continue to manage the initial acquisition hotels following our acquisition. We expect to close this acquisition shortly after completing this offering and the concurrent private placement.

Upon completion of this offering and the concurrent private placement to Mr. Fisher and following our purchase of the initial acquisition hotels, we expect to have approximately $ million of cash available to invest in additional hotel properties and we will have no debt.

We intend to elect and qualify to be treated as a REIT for federal income tax purposes.

Market Opportunity

We believe current market conditions will create attractive opportunities to acquire hotel properties at prices that represent significant discounts to replacement cost and that provide potential for significant long-term value appreciation. U.S. hotel industry operating performance has declined substantially over the last year due to the challenging economic conditions created by declining gross domestic product, or GDP, high levels of unemployment, low consumer confidence, the significant decline in home prices and a reduction in the availability of credit. In addition to facing declining operating results, hotel owners have been adversely impacted by a significant decline in the availability of debt financing. The commercial mortgage-backed securities, or CMBS, market historically provided a significant amount of debt financing to the hotel industry, especially from 2004 to 2007, but effectively has been closed since July 2008. Banks and insurance companies, traditionally significant sources of debt financing for the hotel industry, have been significantly impacted by losses in their loan portfolios, causing them to reduce their lending to the hotel industry. We believe that the combination of declining operating performance and reduction in the availability of debt financing have caused hotel values to decline and will lead to increased hotel loan foreclosures and distressed hotel property sales. In addition, we believe that the supply of new hotels is likely to remain low for the next several years due to weak industry operating fundamentals and limited availability of debt financing. Hotel industry operating performance historically has correlated with U.S. GDP growth, and a number of economists and government agencies currently predict that the U.S. economy will resume growth over the next several years. We believe that U.S. GDP growth, coupled with limited supply of new hotels, will lead to significant increases in lodging industry revenue per available room, or RevPAR, a key industry operating statistic, and hotel operating profits. We believe that our management team's significant experience in acquiring hotels, our growth oriented capital structure with no legacy issues, and our focused business strategy will position us to take advantage of hotel investment opportunities created by current market conditions.

Competitive Strengths

Experienced management team: We believe that our senior executive officers, who have extensive lodging industry experience, will help drive our company's growth. Our management team is led by Mr. Fisher who has over 23 years of experience in the lodging industry, including 13 years as founder and chief executive officer of Innkeepers. Mr. Fisher has longtime relationships with hotel owners (such as RLJ Development LLC, the parent company of the sellers of the initial acquisition hotels), developers, management companies, franchisors, brokers, financiers, research analysts and institutional investors.

Strong acquisition and growth record: Mr. Fisher formed Innkeepers through a $46.9 million IPO in 1994 and served as its chairman and chief executive officer until it was sold at a total enterprise value of approximately $1.5 billion in 2007. Mr. Fisher successfully grew Innkeepers from a portfolio of seven hotels at the time of its IPO in 1994 to 74 hotels at the time of its sale. An investment in Innkeepers' common shares from the date of its IPO through the date of its sale generated a total return of approximately 318% for each share purchased at the IPO price of $10.00 per share (assuming reinvestment of all cash dividends paid by Innkeepers on its common shares for all periods following its IPO in additional common shares at then-current market prices). Over the period beginning in the same month as the Innkeepers IPO and ending in June 2007, the month that Innkeepers was sold, the FTSE NAREIT Equity Lodging/Resorts Index increased by approximately 209%.

Prudent capital structure with no legacy issues: We believe that many potential buyers of hotel properties typically utilize significant levels of debt to fund acquisitions and thus may be limited in their ability to make acquisitions under current market conditions. In addition, we believe many potential buyers of hotel properties already have high leverage levels which could limit their ability to acquire additional properties. At the close of this offering and the concurrent private placement to

Mr. Fisher, and following our purchase of the initial acquisition hotels, we will have approximately $ million of cash available to invest in additional hotel properties and we will have no debt. We plan to maintain a prudent capital structure and intend to limit our consolidated indebtedness to not more than 35% of our investment in hotel properties at cost (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges).

Longtime relationships with leading lodging franchise and management companies: Mr. Fisher has longtime relationships with several leading hotel franchise and management companies, having acquired and developed a significant number of hotels operated under Marriott's Residence Inn® and Courtyard by Marriott® brands and Hilton's Hampton Inn® brand. Prior to its sale in 2007, Innkeepers owned 44 Residence Inns, making it one of the world's largest owners of Residence Inn hotels. Mr. Fisher currently serves as a Board Member of Marriott's The Residence Inn Association (TRIA). Mr. Fisher was one of the early franchisees of Hampton Inn hotels and Innkeepers owned twelve Hampton Inns at the time of its sale.

Strategy and Investment Criteria

Our primary objective is to generate attractive returns for our shareholders through investing in hotel properties at prices that provide strong risk-adjusted 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 intend to invest primarily in premium-branded upscale extended-stay, select-service and full-service hotels in the 25 largest metropolitan markets in the United States. We will 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 will also seek to acquire properties that we believe are undermanaged or undercapitalized.
- *Opportunistic hotel repositioning:* We intend to 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 will work closely with our third-party management companies to maximize hotel operating performance. Our asset management activities will seek to ensure that our third-party 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. We will reinvest in our hotels to maintain quality, increase long-term value and generate attractive returns.
- *Flexible selection of hotel management companies:* We intend to be flexible in our selection of hotel management companies and select managers that we believe will maximize the performance of our hotels. We intend to utilize brand-affiliated management companies such as Marriott International, Inc., Hilton Worldwide, Starwood Hotels & Resorts Worldwide, Inc., Hyatt Hotels Corporation and InterContinental Hotels Group, although we also may utilize independent management companies, which may include IHM. We believe this strategy will increase the universe of potential acquisition opportunities we can consider because many hotel properties are encumbered by long-term management contracts. We believe that our willingness to utilize brand-affiliated management companies may lead to these companies bringing "off-market" transactions to our attention that may not be available to other hotel investors. An affiliate of Hilton Hotels Corporation will manage the six initial acquisition hotels.
- *Selective Investment in Hotel Debt:* We may consider selectively investing in debt secured 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.

Summary Risk Factors

An investment in our common shares involves various risks. You should carefully consider the matters discussed in “Risk Factors” beginning on page 10 of this prospectus before you decide whether to invest in our common shares. Some of the risks include the following:

- We were organized in October 2009 and have no operating history.
- We currently do not own any hotel properties. We have entered into an agreement to purchase the six initial acquisition hotels following closing of this offering, although we have not identified any other specific hotel properties to acquire or committed a substantial portion of the net proceeds of this offering to any other specific hotel property investment. Accordingly, you will not be able to evaluate the merits of investments we make with a substantial portion of the net proceeds of this offering. We may be unable to invest the net proceeds on acceptable terms, or at all.
- The closing of our purchase of the initial acquisition hotels is subject to customary closing conditions and there can be no assurance that we will complete such purchase.
- Our success will depend upon the efforts and expertise of our management team. The loss of their services, and our inability to find suitable replacements, could have an adverse impact on our business.
- A substantial part of our business strategy is based on our belief that lodging industry fundamentals will improve. If these fundamentals do not improve when or as we expect, or deteriorate, our ability to execute our business strategy and our financial condition, operating results and cash flow may be adversely affected.
- We will rely on third-party hotel management companies to operate our hotel properties under the terms of hotel management agreements. Even if we believe our hotel properties are being operated inefficiently or in a manner that does not result in satisfactory RevPAR or profits, we may not be able to force the hotel management company to change its method of operating our hotels.
- Our hotel management agreements will require us to bear the operating risks of our hotel properties. Any increases in operating expenses or decreases in revenues may have a significant adverse impact on our operating results and cash flow.
- Because our chief executive officer, Mr. Fisher, owns 90% of IHM, a hotel management company that we may engage to manage certain hotels we acquire, conflicts of interest may arise as to the terms of management agreements between us and IHM.
- To qualify for taxation as a REIT, we generally will be required to distribute at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, each year to our shareholders and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. As a result, our ability to fund capital expenditures, acquisitions and hotel redevelopment through retained earnings will be very limited. We may not be able to fund capital improvements or acquisitions solely from cash provided from our operating activities. Consequently, after investing the net proceeds of this offering, we will rely upon the availability of debt or equity capital to fund investments in hotel properties and capital improvements. There can be no assurance that we will be able to obtain such financing on favorable terms or at all. We also may not generate sufficient cash flow to fund distributions required to maintain our qualification as a REIT.

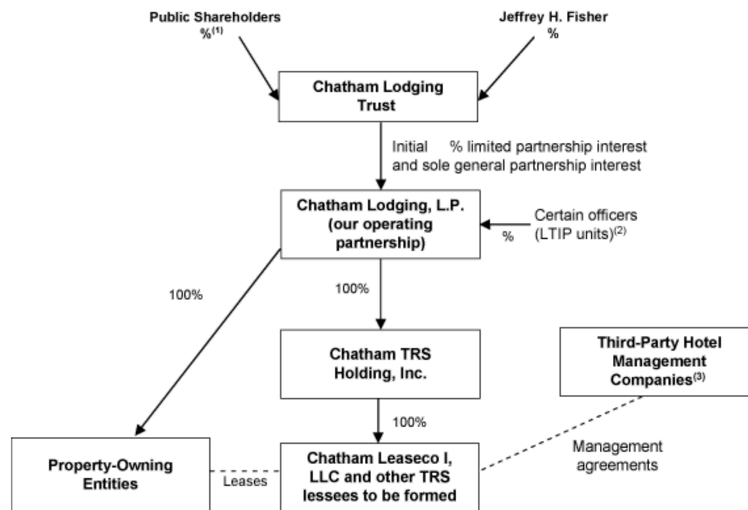
- If we fail to qualify, or lose our qualification, as a REIT, we will be subject to federal income tax on our taxable income. Our hotel properties leased by our TRS lessees must be operated by "eligible independent contractors," as defined in the Internal Revenue Code of 1986, as amended, or the Code, in order for our TRS lessees to qualify as such and for the rental income from our TRS leases to qualify as rents from real property under the applicable REIT income tests. Complex constructive ownership rules under the Code apply in determining whether a person qualifies as an eligible independent contractor.
- We will incur a 100% excise tax on transactions with our TRSs, including our TRS lessees, that are not conducted on an arm's-length basis.
- Subject to certain exceptions, our declaration of trust provides that no person may beneficially own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares of beneficial interest. In addition, our declaration of trust and bylaws contain other provisions that may delay, defer or prevent an acquisition of control of our company by a third party without our board of trustees' approval, even if our shareholders believe the change of control is in their best interests.
- Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties for reasonable prices in response to changing economic, financial and investment conditions will be limited. In addition, because some of our hotel management agreements may be long-term and may not terminate in the event of a sale, our ability to sell hotel properties may be further limited.

Our Organizational Structure

We were formed as a Maryland REIT in October 2009. We are the sole general partner of Chatham Lodging, L.P., the subsidiary through which we will conduct substantially all of our operations and make substantially all of our investments and which we refer to as our operating partnership. Upon completion of this offering, we will contribute to our operating partnership the net proceeds of this offering as our initial capital contribution in exchange for substantially all of the limited partnership interests in our operating partnership. In the future we may issue limited partnership interests in our operating partnership as consideration for the purchase of hotel properties or in connection with our Equity Incentive Plan.

In order for the income from our hotel operations to constitute "rents from real property" for purposes of the gross income tests required for REIT qualification under the Code, we cannot directly operate any of our hotel properties. Instead, we must lease our hotel properties. Accordingly, we will lease each of our hotel properties to one of our TRS lessees, which will be wholly owned by our operating partnership. Our TRS lessees will pay rent to us that can qualify as "rents from real property," provided that the TRS lessees engage "eligible independent contractors" to manage our hotels. A TRS is a corporate subsidiary of a REIT that jointly elects with the REIT to be treated as a TRS of the REIT and that pays federal income tax at regular corporate rates on its taxable income. We expect that all of our hotel properties will be leased to one of our wholly owned TRS lessees, which will be able to pay us rent out of the revenue of the hotels and will engage multiple eligible independent contractors to manage our hotels.

The following chart shows our structure following completion of this offering:



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(1) Includes grants of common shares to our initial independent trustees.

(2) Upon completion of this offering, we will issue an aggregate of LTIP units to certain officers. See “Compensation Discussion and Analysis — Equity Incentive Plan.”

(3) May include IHM.

Tax Status

We intend to elect to be taxed as a REIT for federal income tax purposes commencing with our short taxable year ending on December 31, 2010. Our qualification as a REIT will depend 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 will be organized in conformity with the requirements for qualification as a REIT under the Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT for federal income tax purposes commencing with our short taxable year ending December 31, 2010 and continuing thereafter.

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.

Distribution Policy

We intend over time to make regular quarterly distributions to our common shareholders. However, until we invest a substantial portion of the net proceeds of this offering in hotel properties, we expect our quarterly distributions will be nominal. In order to qualify for taxation as a REIT, we intend to make annual distributions to our shareholders of at least 90% of our taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. We cannot assure you as to when we will begin to generate sufficient cash flow to make distributions to our shareholders or our ability to sustain those distributions. Distributions will be authorized and declared by our board of trustees based upon a variety of factors deemed relevant by our board of trustees. Distributions to our shareholders generally will be taxable to our shareholders as ordinary income; however, because a significant portion of our investments will be ownership of equity interests in hotel properties, which will generate depreciation and other non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital. To the extent not inconsistent with maintaining our qualification as a REIT, we may retain any earnings that accumulate in our TRSs.

Restrictions on Ownership of Our Common Shares

In order to help us qualify as a REIT, among other reasons, our declaration of trust, subject to certain exceptions, restricts the amount of our shares of beneficial interest that a person may beneficially or constructively own. Our declaration of trust provides that, subject to certain exceptions, no person may beneficially or constructively own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares of beneficial interest. Our declaration of trust also prohibits any person from (i) beneficially owning shares of beneficial interest to the extent that such beneficial ownership would result in our being “closely held” within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of the taxable year), (ii) transferring our shares of beneficial interest to the extent that such transfer would result in our shares of beneficial interest being beneficially owned by less than 100 persons (determined under the principles of Section 856(a)(5) of the Code), (iii) beneficially or constructively owning our shares of beneficial interest to the extent such beneficial or constructive ownership would cause us to constructively own ten percent or more of the ownership interests in a tenant (other than a TRS) of our real property within the meaning of Section 856(d)(2)(B) of the Code or (iv) beneficially or constructively owning or transferring our shares of beneficial interest if such ownership or transfer would otherwise cause us to fail to qualify as a REIT under the Code, including, but not limited to, as a result of any hotel management companies failing to qualify as an “eligible independent contractor” under the REIT rules. Our board of trustees, in its sole discretion, may prospectively or retroactively exempt a person from certain of these limits and may establish or increase an excepted holder percentage limit for such person. The person seeking an exemption must provide to our board of trustees such representations, covenants and undertakings as our board of trustees may deem appropriate in order to conclude that granting the exemption will not cause us to lose our status as a REIT.

The Offering

Common shares offered	common shares (plus up to additional common shares that we may issue and sell upon exercise of the underwriters' overallotment option).
Common shares outstanding upon completion of this offering	common shares (1)
Use of proceeds	We will contribute the net proceeds of this offering and the concurrent $10 million private placement to Mr. Fisher to our operating partnership. Our operating partnership will use approximately $73.5 million of the net proceeds to purchase the six initial acquisition hotels. We intend to invest approximately $ million over the next years to enhance the quality of the six initial acquisition hotels. This capital will be used to upgrade guest rooms and common areas and includes our estimate of the amounts Hilton will require us to spend as part of a property improvement plan, or PIP, for the hotels. Our operating partnership will use the remaining net proceeds to invest in additional hotel properties in accordance with our investment strategy described in this prospectus and for general business purposes. Prior to the full investment of the net offering proceeds in hotel properties, we intend to invest in interest-bearing short-term securities or money-market accounts that are consistent with our intention to qualify as a REIT. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in hotel properties. We will use approximately $ of the net proceeds to reimburse Mr. Fisher for out-of-pocket expenses he incurred in connection with our formation and this offering, including up to $2.5 million Mr. Fisher funded as earnest money deposits, as required by the purchase agreement for the initial acquisition hotels. We will also use $10,000 to repurchase the shares Mr. Fisher acquired in connection with our formation and initial capitalization. See "Use of Proceeds."
Proposed New York Stock Exchange symbol	" "
Ownership and transfer restrictions	Our declaration of trust, subject to certain exceptions, prohibits any person from directly or indirectly owning more than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares of beneficial interest. See "Description of Shares of Beneficial Interest — Restrictions on Ownership and Transfer."
Risk Factors	Investing in our common shares involves risks. You should carefully read and consider the information set forth under "Risk Factors" and all other information in this prospectus before investing in our common shares.

(1) Includes shares we will issue to Mr. Fisher in a private placement concurrent with the closing of this offering. Also includes restricted common shares that will be issued to our independent trustees upon completion of this offering under our Equity Incentive Plan. Excludes (i) common shares underlying long-term incentive plan, or LTIP, units in our operating partnership that will be issued to Mr. Fisher and certain other officers upon completion of this offering, (ii) common shares reserved for issuance under our Equity Incentive Plan and (iii) common shares issuable upon exercise of the underwriters' overallotment option.

Our Information

Our principal executive offices are located at 50 Cocoanut Row, Suite 200, Palm Beach, Florida 33480. Our telephone number is (561) 802-4477.

RISK FACTORS

An investment in our common shares involves a high degree of risk. Before making an investment decision, you should carefully consider the following risk factors, together with the other information contained in this prospectus, including in "Management Discussion and Analysis of Financial Condition and Results of Operations." If any of the risks discussed in this prospectus occurs, our business, prospects, financial condition, cash flows, results of operations and ability to make distributions to our shareholders could be materially and adversely affected. If this were to happen, the price of our common shares could decline significantly and you could lose all or a part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to Our Business

We have no operating history and may not be able to successfully operate our business or generate sufficient operating cash flows to make or sustain distributions to our shareholders.

We were organized in October 2009 and have no operating history. We currently own no properties and will only commence operations upon completion of this offering. Our ability to make or sustain distributions to our shareholders will depend on many factors, including the availability of acquisition opportunities that satisfy our investment strategies and our success in identifying and consummating them on favorable terms, readily accessible short-term and long-term financing on favorable terms and conditions in the financial markets, the real estate market, the hotel industry and the economy. We cannot assure you that we will be able to acquire properties with attractive risk-adjusted returns or will not seek properties with greater risk to obtain the same level of returns or that the value of our properties in the future will not decline substantially. We also may not be able to successfully operate our business or implement our operating policies and strategies successfully. Furthermore, there can be no assurance that we will be able to generate sufficient operating cash flows to pay our operating expenses and make distributions to our shareholders.

Other than the initial acquisition hotels, we have not yet identified any specific hotel properties to acquire or committed a substantial portion of the net proceeds from this offering to any specific hotel property and, therefore, you will be unable to evaluate the allocation of a substantial amount of the net proceeds from the offering and the concurrent private placement or the economic merits of some of our acquisitions prior to making an investment decision.

We currently do not own any properties. We have entered into an agreement to purchase the six initial acquisition hotels upon closing of this offering, although we have not yet identified any other specific hotel properties to acquire nor committed a substantial portion of the net proceeds of this offering and concurrent private placement to any other specific hotel property investment, and you will be unable to evaluate the economic merits of investments we make with a substantial portion of the net proceeds before making an investment decision to purchase our common shares. As a result, we will have broad authority to invest the net proceeds of this offering 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 this offering effectively or 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 the offering and concurrent private placement 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 will seek to achieve from acquisitions of our target properties. We may be unable to invest the net proceeds on acceptable terms, or at all, which could delay shareholders

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.

If we are unable to timely complete the purchase of the initial acquisition hotels or at all, we will have no designated use for substantially all of the net proceeds of this offering and may experience delays in locating and securing attractive alternative investments, which would result in a reduction of the amount of cash available to our stockholders.

We intend to use a portion of the net proceeds from this offering to purchase the initial acquisition hotels. We anticipate that the closing of the acquisition of these hotels will occur shortly after completion of this offering. However, we cannot assure you that we will acquire any of these hotel properties because the acquisitions are subject to a variety of factors, such as the satisfaction of closing conditions, including receipt of third-party consents and approvals (including the consent of Hilton as franchisor and manager, through its affiliate, of the six hotels). If we acquire any of the initial acquisition hotels, we must acquire all six hotels. As a result, we cannot terminate the purchase of a particular hotel property, even if there is a problem with that hotel, without jeopardizing our ability to acquire the other hotels.

If we do not complete the purchase within our anticipated time frame or at all, we may experience delays in locating and securing attractive alternative investments. These delays could result in our future operating results not meeting expectations and adversely affect our ability to make distributions to our shareholders. If we are unable to complete the purchase of the initial acquisition hotels, we will have no specific designated use for the net proceeds from this offering and investors will be unable to evaluate in advance the manner in which we invest a portion of the net proceeds or the economic merits of the properties we may ultimately acquire with the net proceeds.

If we do not complete the purchase of the initial acquisition hotels, we will have incurred substantial expenses without our shareholders realizing the expected benefits.

If we are unable to complete the purchase of the initial acquisition hotels, we may forfeit substantial deposits provided to the sellers under the terms of the purchase agreement. Mr. Fisher has deposited, on our behalf, an aggregate of $1.5 million, which will increase to $2.5 million at the end of our 30-day due diligence period. We have agreed to reimburse Mr. Fisher for these deposits. If we do not complete the purchase of the initial acquisition hotels, we will forfeit the deposits, unless the failure to close is a result of the failure of the seller to satisfy its obligations or fulfill certain conditions precedent to closing under the applicable purchase and sale agreements. We also have incurred or expect to incur approximately $815,000 in due diligence, legal and accounting expenses in connection with this acquisition and may incur additional due diligence, legal and accounting expenses prior to such acquisition.

Our remedies will be limited if the sellers default and fail to perform their contractual obligations under the contracts for the purchase of the initial acquisition hotels.

In the event that the sellers of the initial acquisition hotels fail to perform their contractual obligations, we will have limited remedies. For example, if the sellers default, we would have the right to seek specific performance or, alternatively, in certain specified circumstances, liquidated damages equal to our out-of-pocket expenses, not to exceed $200,000. However, in seeking specific performance, we would face considerable delays and expense in completing this acquisition, if at all. Pursuing specific performance may also prevent or delay us from seeking attractive alternative investments in which to invest the net proceeds from this offering. Even if we were successful in an action to recover liquidated damages, we cannot assure you that the sellers would have sufficient funds to pay these damages. If we were to elect to terminate the agreement in lieu of pursuing a lawsuit, our remedies would likely be limited to the return of the deposits, and the payment, in each case, of our reasonable, third-party costs and expenses incurred in connection with the agreements,

not to exceed $200,000 in the aggregate, but we cannot assure you that the sellers will return our deposits or have sufficient funds to pay such costs and expenses.

Because our senior executive officers will have broad discretion to invest the proceeds of the offering, they may make investments where the returns are substantially below expectations or which result in net operating losses.

Our senior executive officers will have broad discretion, within the general investment criteria established by our board of trustees, to invest the net proceeds of the offering and to determine the timing of such investment. 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. Such discretion could result in investments that may not yield returns consistent with investors' expectations.

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

We will 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 financial results could be adversely affected.

Our ability to grow our business will depend 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 operations and financial results could be adversely affected.

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

The success of our growth strategy will depend on access to capital through use of excess cash flow, borrowings or subsequent issuances of common shares or other securities. Acquisitions or development of new hotel properties will require significant additional capital and existing hotels will 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 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 or hotel development through retained earnings is very limited. Our ability to grow through acquisitions or development 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. Specifically, while we intend to seek to arrange a credit facility to fund investments and operating activities following the investment of the net proceeds of this offering, we have no commitment from any lender at the current time and there can be no assurance that we will be able to arrange a credit facility in the future on acceptable terms, or at all.

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

A substantial part of our business strategy is based on our belief that the lodging markets in which we intend to invest will experience improving economic fundamentals in the future. There can be no assurance as to whether, or when, lodging industry fundamentals will in fact improve or to what extent they will improve. In the event conditions in the industry do not improve when and 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.

We must rely on third-party management companies to operate our hotels in order to qualify as a REIT under the Code.

In order for us to qualify as a REIT, third parties must operate our hotels. We will lease each of our hotels to our TRS lessees. The TRS lessees, in turn, will enter into management agreements with third party management companies to operate our hotels. While we expect to have some input into operating decisions for those hotels leased by our TRS lessees and operated under management agreements, we will 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. Jeffrey H. Fisher, our chief executive officer, controls IHM, a hotel management company that may manage certain of the hotels we acquire. See "— Conflicts of interest could result in future business transactions between us and affiliates owned by our Chief Executive Officer" below.

Our management agreements could adversely affect the sale or financing of hotel properties.

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 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 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.

Operating our hotels under franchise agreements poses certain risks that could adversely affect the performance of our hotels and our ability to make distributions to our shareholders.

Our hotels will 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. A franchisor may 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 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 will rely on our operators to conform to operational standards. The franchisors may also require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial. 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.

The names of the brands under which our hotels operate are registered trademarks of the respective owners of those brands, and neither they nor any of their officers, directors, agents, employees, accountants or attorneys:

- have approved any disclosure in which they or the names of their brands appear; or
- are responsible or liable for any of the content of this document.

Our ability to make and maintain distributions to our shareholders is subject to fluctuations in our financial performance, capital expenditure requirements and excess cash flow.

As a REIT, we are required to distribute at least 90% of our 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 captial 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 will consider, 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 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 TRSs; increased debt service requirements, including those resulting from higher interest rates on variable rate indebtedness; 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, may require us to liquidate our properties, may jeopardize our qualification as a REIT and 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 not more than 35% of our investment in hotel properties 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. Incurring 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; and

- Terms of any refinancing will not be as favorable as the terms of the debt being refinanced.

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. In addition, future indebtedness agreements may require that we meet certain covenant tests in order to make distributions to our shareholders.

If we incur debt in the future and do not have sufficient funds to repay such debt at maturity, it may be necessary to refinance the debt through additional debt or additional equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancing, increases in interest expense could adversely affect our cash flow, and, consequently, cash available for distribution to our shareholders. 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 may place mortgages on hotel properties that we acquire to secure a revolving credit facility or 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 may be pledged to secure our obligations to foreclosure. Also, covenants applicable to any future debt could impair our planned investment strategy and, if violated, result in a default.

Higher interest rates could increase debt service requirements on any floating rate debt that we incur 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. 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. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable. We could be required to liquidate one or more of our hotel properties in order to meet our debt service obligations at times which may not permit us to receive an attractive return on our investments.

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 may co-invest in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have economic or other business interests or goals which 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. Disputes between us and 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, 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.

We may from time to time make distributions to our shareholders in the form of our common shares.

Although we have no current intention to do so, we may in the future distribute taxable dividends that are payable in cash and 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.

Conflicts of interest could result in future business transactions between us and affiliates owned by our Chief Executive Officer.

Our chief executive officer, Jeffrey H. Fisher, owns 90% of IHM, a hotel management company that may manage certain of the hotels we acquire. 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, whether hotels managed by IHM will be sold and any termination fees payable to IHM. See “Certain Relationships and Related Transactions”.

Risks Related to the Lodging Industry

Current economic conditions have and may continue to adversely affect the lodging industry.

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. The current global economic downturn has led to a significant decline in demand for products and services provided by the lodging industry, lower occupancy levels and significantly reduced room rates.

We anticipate that recovery of demand for products and services provided by the lodging industry will lag an improvement in economic conditions. We cannot predict how severe or prolonged the global economic downturn will be or how severe or prolonged the lodging industry downturn will be. A further extended period of economic weakness would likely have an adverse impact on our revenues and negatively affect our profitability.

Our ability to make distributions to our shareholders may be affected by factors in the lodging industry.

Operating Risks

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 TRSs, which in turn could adversely affect our ability to make distributions to our shareholders.

Competition for acquisitions

We will 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.

Competition for guests

The upscale extended-stay and mid-price segments of the hotel business are highly competitive. Our hotels will compete on the basis of location, room rates and quality, service levels, reputation, and reservation systems, among many other factors. There are many competitors in our market segments, and many of them 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.

Seasonality of hotel industry

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.

Cyclical nature of lodging industry

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. The continued decline in lodging demand beyond late 2010 to early 2011, 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.

Concentration in particular single industry

Our entire business will be 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.

Capital expenditures

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 will require periodic capital improvements as a condition of keeping the franchise licenses. In addition, our lenders will likely require that we set aside annual 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 future hotel rooms will be booked through Internet travel intermediaries, including, but not limited to, Travelocity.com, Expedia.com and Priceline.com. As these 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 will be 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.

Future terror events and threats and military action could negatively affect the hotel industry and our results of operations and financial condition.

Before September 11, 2001, hotel owners and operators had begun experiencing declining RevPAR, as a result of the slowing U.S. economy. The terrorist attacks of September 11, 2001 and the after-effects (including the possibility of more terror attacks in the United States and abroad), combined with economic trends and the U.S.-led military action in Afghanistan and Iraq, substantially reduced business and leisure travel and hotel industry RevPAR generally. The current economic recession has adversely affected the hotel industry and result in declining RevPAR. Declining RevPAR reduces net income and restricts the ability to fund capital improvements. Additional terrorist attacks, acts of war or similar events could have further material adverse effects on the economy at large and the hotel industry in particular.

Potential future outbreaks of contagious diseases, such as H1N1, could have a material adverse effect on our revenues and results of operations due to decreased travel, especially in areas significantly affected by the disease.

The widespread outbreak of infectious or contagious disease in the U.S., such as the H1N1 influenza, could reduce travel and adversely affect the hotel industry generally and our business in particular.

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

We intend to 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 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.

Various types of catastrophic losses may not be insurable (such as those resulting from war or a nuclear incident) or may not be economically insurable. In the event of a substantial loss, our insurance coverage may not cover the full current market value or replacement cost of our lost investment. For instance, we do not expect to carry insurance to protect specifically against damage caused by mold or environmental contamination. Inflation, changes in building codes and ordinances, environmental considerations and other factors might cause insurance proceeds to be insufficient to fully replace or renovate a hotel after it has been damaged or destroyed.

Accordingly, there can be no assurance:

- that the insurance coverage that we and/or our lessees and operators obtain will fully protect us (or our lessees or operators) against insurable losses (i.e., losses may exceed coverage limits);
- that we (or our lessees or operators) will not incur large deductibles that will adversely effect our earnings;
- that we (or our lessees or operators) will not incur losses from risks that are not insurable or that are not economically insurable; or
- that insurance coverages will be available at reasonable rates. As a result, one or more large uninsured or underinsured losses could have a material adverse affect on our lessees or operators or our financial condition, results of operations and ability to make distributions to our shareholders.

Noncompliance with governmental regulations could adversely affect our operating results.

Environmental matters

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 occurs.

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 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.

Americans with Disabilities Act and other changes in governmental rules and regulations

Our future hotel properties also will be subject to the Americans with Disabilities Act of 1990, or 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 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.

The Employee Free Choice Act could substantially increase the cost of doing business.

A number of members of the U.S. Congress and President Obama have stated that they support the Employee Free Choice Act, which, if enacted, would discontinue the current practice of having an open process where both the union and the employer are permitted to educate employees regarding the pros and cons of joining a union before having an election by secret ballot. Under the Employee Free Choice Act, the employees would only hear the union's side of the argument before making a commitment to join the union. The Employee Free Choice Act would permit unions to quietly collect employee signatures supporting the union without notifying the employer and permitting the employer to explain its views before a final decision is made by the employees. Once a union has collected signatures from a majority of the employees, the employer would have to recognize, and bargain with, the union. If the employer and the union fail to reach agreement on a collective bargaining contract within a certain number of days, both sides would be forced to submit their respective proposals to binding arbitration and a federal arbitrator would be permitted to create an employment contract binding on the employer. If the Employee Free Choice Act is enacted, a number of the hotel properties we will own or seek to acquire could become unionized.

Generally, unionized hotel employees are subject to a number of work rules which could decrease operating margins at the unionized hotels. If that is the case, we believe that the unionization of hotel employees at hotels that we acquire may result in a significant decline in hotel profitability and value, 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.

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, such as those that occurred on September 11, 2001.

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.

Currently, little credit is available to purchasers of hotel properties and financing structures such as CMBS, which have been used to finance many hotel acquisitions in recent years, have been reduced. 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 purchase of the initial acquisition hotels 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 declaration of trust obligates 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 REITs 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 us or of delaying, deferring or preventing a change in control of us 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 common shares and up to 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 or sell assets, or make taxable distributions of our capital shares or debt securities, to enable us to pay out enough of our 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 intend to elect to be taxed as a REIT for federal income tax purposes, commencing with our short taxable year beginning on the business day prior to the closing of this offering and ending December 31, 2010. 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 will depend 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. 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.

Our leases with our TRS lessees will 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.

The formation of our TRS lessees increases our overall tax liability.

Our TRS lessees will be subject to federal, state and local income tax on their taxable income, which will consist 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 will allow us to participate in the operating income from our hotel

properties in addition to receiving rent, that operating income will be fully subject to income tax. The after-tax net income of our TRS lessees is available for distribution to us.

Our ownership of TRSs will be 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 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 will pay federal, foreign, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but is not required to be distributed to us. We anticipate that the aggregate value of the stock and securities of our TRSs will be less than 25% of the value of our total 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 to 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 will be 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 we anticipate will 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 intend to structure our 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. 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 as a REIT status.

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

The maximum tax rate applicable to income from "qualified dividends" payable to U.S. shareholders that are individuals, trusts and estates has been reduced by legislation to 15% (through 2010). 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 individuals, trusts and estates 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 expect to lease substantially all of our hotels to our TRSs. A TRS lessee will not be treated as a “related party tenant,” and will not be treated as directly operating a lodging facility, which is prohibited, to the extent the TRS lessee leases properties from us that are managed by an “eligible independent contractor.”

We believe that the rent paid by our TRS lessee will be qualifying income for purposes of the REIT gross income tests and that our TRSs will qualify to be treated for federal income tax purposes, but there can be no assurance that the IRS will not challenge this treatement or that a court would not sustain such a challenge. If the IRS were successful in challenging this treatment, it is possible that we would fail to meet the asset tests applicable to REITs and substantially all of our income would fail to qualify for the gross income tests. If we failed to meet either the asset or gross income tests, we would likely lose our REIT qualification for federal income tax purposes, unless certain relief provisions applied.

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. 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 following our first taxable year. To assist us to satisfy the requirements for our REIT qualification, our declaration of trust contains a common share ownership limit and a preferred share ownership limit. 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 preferred share ownership limit.

If anyone transfers shares in a way that would violate the common share ownership limit or the preferred share 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 common share ownership limit or the preferred share 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 common share ownership limit or the preferred share 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. 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. See "Material U.S. Federal Income Tax Considerations." 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 TRS 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 change our major corporate policies may not be in your 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. 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 shareholders could lose confidence in our financial results, 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 will require us to evaluate and report on our internal controls over financial reporting and have our independent auditors annually attest to our evaluation, as well as issue their opinion on our internal control over financial reporting. While we intend to undertake substantial work to prepare for compliance with Section 404, we cannot be certain that we will be successful in implementing or maintaining adequate control over our financial reporting and financial processes. Furthermore, as we rapidly grow our business, 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. Additionally, 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.

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 assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, 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 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 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 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 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. Because we currently have no assets and will commence operations only upon completion of the offering, we may not have a portfolio of assets that generate sufficient income to be distributed to our shareholders. We currently do not expect to use the proceeds from this offering or the concurrent private placement to make distributions to our shareholders. 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. The amount of such distributions may be limited until we have a portfolio of income-generating assets. Our board of trustees will make 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 invest the proceeds of the offering;
- our inability to realize attractive risk-adjusted returns on our investments;
- unanticipated expenses that reduce our cash flow or non-cash earnings;
- defaults in our investment portfolio or 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 make distributions to our shareholders at any time in the future 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.

In addition, distributions that we make to our shareholders will generally be 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.

We cannot assure you that a public market for our common shares will develop.

Prior to this offering, there has not been a public market for our common shares, and we cannot assure you that a regular trading market for the common shares offered hereby will develop or, if developed, that any such market will be sustained. In the absence of a public trading market, an investor may be unable to liquidate an investment in our common shares. The initial public offering price has been determined by us and the underwriters. We cannot assure you that the price at which the common shares will sell in the public market after the closing of the offering will not be lower than the price at which they are sold by the underwriters.

The market price of our equity securities may vary substantially.

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;
- announcements by us or our competitors of acquisitions, investments or strategic alliances; and
- unforeseen events beyond our control, such as terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza, avian bird flu and SARS, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities, travel related accidents and unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes.

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. Upon completion of this offering, we expect to have

common shares outstanding, including the common shares sold in this offering, common shares sold in the concurrent private placement, restricted common shares granted to our trustees and shares underlying LTIP units to be granted to our officers under our Equity Incentive Plan upon completion of this offering, or an aggregate of common shares if the underwriters' overallotment option is exercised in full. Our Equity Incentive Plan provides for grants of equity based awards up to an aggregate of common shares.

Future offerings of debt or equity securities ranking senior to our common shares 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, 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, cash flow and plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

- use of the proceeds of this offering and the concurrent private placement;
- market trends in our industry, interest rates, real estate values, the debt financing markets or the general economy or the demand for commercial real estate loans;
- our business and investment strategy;
- our projected operating results;
- actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;
- the state of the U.S. economy generally or in specific geographic regions;
- economic trends and economic recoveries;
- our ability to obtain and maintain financing arrangements;
- changes in the value of our properties;
- our expected portfolio of properties;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;
- our ability to satisfy the requirements for REIT qualification under the Code;
- availability of qualified personnel;
- estimates relating to our ability to make distributions to our shareholders in the future;
- general volatility of the capital markets and the market price of our common shares; and
- degree and nature of our competition.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described in this prospectus under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We estimate that the net proceeds of this offering will be approximately $ million after deducting the underwriting discounts and commissions and other estimated offering expenses. If the underwriters' overallotment option is exercised in full, our net proceeds will be approximately $ million.

Concurrently with the offering, in a separate private placement pursuant to Regulation D under the Securities Act of 1933, as amended, we will sell common shares (representing $10 million in proceeds) to our chief executive officer, Jeffrey H. Fisher, at a price per share equal to the price to the public, and without payment by us of any underwriting discount or commission.

We will contribute the net proceeds of this offering and the concurrent private placement to our operating partnership. Our operating partnership will use approximately $73.5 million of the net proceeds to purchase the initial acquisition hotels.

We intend to invest approximately $ million over the next years to enhance the quality of the six initial acquisition hotels. This capital will be used to upgrade guest rooms and common areas and includes our estimate of the amounts Hilton will require us to spend as part of a property improvement plan, or PIP, for the hotels. We believe that this investment will improve the quality of the initial acquisition hotels, further differentiate them from their primary competitors, and enhance their performance. We believe that the current market environment, with depressed hotel operating performance, provides an attractive time to complete the planned renovations of the initial acquisition hotels because there will be less displacement of guests and lost revenues due to current low occupancy rates and room rates than in a more robust economic environment. We believe that investing in our properties in the current environment will also better position them to outperform competing properties as economic conditions improve.

Our operating partnership will use the remaining net proceeds to invest in hotel properties in accordance with our investment strategy described in this prospectus and for general business purposes. Prior to the full investment of the offering proceeds in hotel properties, we intend to invest in interest-bearing short-term securities or money-market accounts that are consistent with our intention to qualify as a REIT. Such investments may include, for example, government and government agency certificates, certificates of deposit, interest-bearing bank deposits and mortgage loan participations. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in hotel properties.

We will use approximately $ of the net proceeds to reimburse Mr. Fisher for out-of-pocket expenses Mr. Fisher incurred in connection with our formation and this offering, including up to $2.5 million Mr. Fisher funded as earnest money deposits, as required by the purchase agreement for the initial acquisition hotels. We will also use $10,000 to repurchase the shares he acquired in connection with our formation and initial capitalization.

CAPITALIZATION

The following table sets forth:

- our actual capitalization as of October 30, 2009; and
- our capitalization as of October 30, 2009, as adjusted to give effect to the sale of our common shares in this offering and the concurrent private placement, at an offering price of $ per share, not including shares subject to the underwriters' overallotment option, and net of the underwriting discounts and commissions and other estimated offering expenses payable by us in connection with this offering.

The following table should be read in conjunction with the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of October 30, 2009	
	Actual	Pro Forma As Adjusted(1) (Unaudited)
Cash	$ 10,000	$
Total liabilities	$ —	$
Shareholders' equity		
Common shares, $0.01 par value, 1,000 shares authorized, 1,000 shares issued and outstanding, actual; shares issued and outstanding, as adjusted(1)	10	
Additional paid-in capital	9,990	
Total shareholders' equity	10,000	
Total capitalization	$ 10,000	$

(1) Includes shares we will issue to Mr. Fisher in a private placement concurrent with the closing of this offering. Also includes an aggregate of restricted common shares that will be issued to our independent trustees upon completion of this offering under our Equity Incentive Plan. Excludes (i) common shares underlying long-term incentive plan, or LTIP, units in our operating partnership that will be issued to Mr. Fisher and certain other officers upon completion of this offering, (ii) common shares reserved for issuance under our Equity Incentive Plan and (iii) common shares issuable upon exercise of the underwriters' overallotment option.

DISTRIBUTION POLICY

We intend over time to make regular quarterly distributions to holders of our common shares. However, until we invest a substantial portion of the net proceeds of this offering in hotel properties, we expect our quarterly distributions will be nominal, if any. In order to qualify for taxation as a REIT, we intend to make annual distributions to our shareholders of an amount at least equal to:

- 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain); plus
- 90% of the excess of our after-tax net income, if any, from foreclosure property over the tax imposed on such income by the Code; less
- the sum of certain items of non-cash income (as determined under Sections 857 of the Code).

Generally, we expect to distribute 100% of our REIT taxable income so as to avoid the excise tax on undistributed REIT taxable income. However, we cannot assure you as to when we will begin to generate sufficient cash flow to make distributions to our shareholders or our ability to sustain those distributions.

See “Material U.S. Federal Income Tax Considerations.”

Distributions will be authorized and declared by our board of trustees based upon a variety of factors, including:

- actual results of operations;
- the timing of the investment of the net proceeds of this offering;
- any debt service requirements;
- capital expenditure requirements for our properties;
- our taxable income;
- the annual distribution requirement under the REIT provisions of the Code;
- our operating expenses; and
- other factors that our board of trustees may deem relevant.

Our ability to pay distributions to our shareholders will depend, in part, upon our receipt of distributions from our operating partnership, which will depend upon receipt of rent payments from our TRS lessees and the management of our hotels by the third-party hotel management companies that our TRS lessees will engage to operate our hotels. Distributions to our shareholders generally will be taxable to our shareholders as ordinary income; however, because a significant portion of our investments will be ownership of equity interests in hotel properties, which will generate depreciation and other non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital. To the extent not inconsistent with maintaining our qualification as a REIT, we may retain any earnings that accumulate in our TRSs.

SELECTED FINANCIAL DATA

We are a newly formed entity without any operating history. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the information provided under the section of this prospectus entitled "Risk Factors," "Cautionary Note Regarding Forward-looking Statements," and "Our Business" and our audited balance sheet and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this prospectus.

Overview

We are a self-advised hotel investment company organized in October 2009 to invest in premium-branded upscale extended-stay, select-service, and full-service hotels. We expect that a significant portion of our portfolio will consist of hotels in the upscale extended-stay category, including brands such as Homewood Suites by Hilton®, Residence Inn by Marriott® and Summerfield Suites by Hyatt®. Upscale extended-stay hotels typically have the following characteristics:

- their principal customer base includes business travelers who are on extended assignments and corporate relocations;
- their 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
- their physical facilities include large suites, quality construction, full separate kitchens in each guest suite, quality room furnishings, pool, and exercise facilities.

We also intend to invest in premium-branded select-service hotels such as Courtyard by Marriott®, Hampton Inn® and Hampton Inn and Suites®. 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. In addition, we intend to selectively invest in premium-branded full-service hotels. The service and amenity offerings of these hotels often include full-service restaurants, lounges, room service, meeting rooms, banquet and catering services, as well as high-speed internet access, local calls, in-room movie channels, and daily linen and room cleaning service. We intend to invest primarily in hotels in the 25 largest metropolitan markets in the United States. We believe that current market conditions will create attractive opportunities to acquire high quality hotels at cyclically low prices that will benefit from an improving economy and our aggressive asset management. As a newly formed company with no business activity to date, we have no operating history and only nominal assets, consisting of only cash contributed in connection with our formation. See "Capitalization."

We currently do not own any properties but have entered into an agreement to purchase the six initial acquisition hotels following completion of this offering for an aggregate purchase price of $73.5 million. Upon completion of this offering and the concurrent private placement to Mr. Fisher, and following the purchase of the initial acquisition hotels, we expect to have approximately $ million of cash available to invest in additional hotel properties and we will have no debt.

We intend to elect and qualify to be treated as a REIT for federal income tax purposes.

For us to qualify as a REIT under the Code, we cannot operate the hotels that we acquire. Therefore, our operating partnership and its subsidiaries will lease our hotel properties to our TRS lessees, who will in turn engage eligible independent contractors to manage our hotels. Each of these lessees will be treated as a TRS for federal income tax purposes and will be consolidated into our financial statements for accounting purposes. However, since both our operating partnership and our TRS lessees will be controlled by us, our principal source of funds on a consolidated basis will be from the operations of our hotels. The earnings of our TRS lessees will be subject to taxation as regular C corporations, reducing such lessees' ability to pay dividends, our funds from operations and the cash available for distribution to our shareholders.

Liquidity and Capital Resources

We intend to limit the outstanding principal amount of our consolidated indebtedness to not more than 35% of the investment in our hotel properties at cost (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges) 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 may modify or eliminate this policy at any time without the approval of our shareholders. Upon completion of this offering and concurrent private placement and following our purchase of the the initial acquisition hotels, we expect to have approximately $ million in cash available to fund additional investments in hotel properties. There can be no assurance that we will make any investments in any properties that meet our investment criteria.

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 an anticipated revolving credit facility. We believe that our net cash provided by operations will be adequate to fund operating requirements, 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, through the cash we will have available upon completion of this offering and subsequent borrowings and expect to fund other investments in hotel properties and scheduled debt maturities through long-term secured and unsecured borrowings and the issuance of additional equity or debt securities.

We plan to arrange and utilize a revolving credit facility that we anticipate will be in place following the investment of the net proceeds of this offering. This facility, which we expect will be secured by hotel properties we acquire and other assets, will be used for general corporate purposes. We intend to repay indebtedness incurred under our credit facility from time to time out of cash flow and from the net proceeds of issuances of additional equity and debt securities. No assurances can be given that we will obtain such credit facility or, if we do, what the amount and terms will be. Our failure to obtain such a facility on favorable terms could adversely impact our ability to execute our business strategy. In the future, we may seek to increase the amount of our credit facility, negotiate additional credit facilities or issue corporate debt instruments. Any debt incurred or issued by us may be secured or unsecured, long-term or short-term, fixed or variable interest rate and may be subject to such other terms as we deem prudent.

We intend to invest in hotel properties only as suitable opportunities arise. In the near-term, we intend to fund future investments in properties with the net proceeds of this offering and the concurrent private placement. Longer term, we intend to finance our 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 may depend, in part, on our ability to access additional capital through issuances of equity securities. There can be no assurance that we will make any investments in any properties that meet our investment criteria.

Quantitative and Qualitative Disclosure About Market Risk

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.

Seasonality

Depending on a hotel's location and market, operations for the hotel may be seasonal in nature. This seasonality can be expected to cause fluctuations in our quarterly operating profits. 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 anticipated revolving credit facility to make distributions to our equity holders.

Critical Accounting Policies

Below is a discussion of the accounting policies that we believe will be critical once we commence operations. We consider these policies critical because they require estimates about matters that are inherently uncertain, involve various assumptions and require significant management judgment, and because they are important for understanding and evaluating our reported financial results. These judgments will affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Applying different estimates or assumptions may result in materially different amounts reported in our financial statements.

Hotel Properties

Acquisitions and Property Improvements

Upon acquisition, we will allocate the purchase price based on the fair value of the acquired land, building, furniture, fixtures and equipment, identifiable intangible assets, other assets and assumed liabilities. Identifiable intangible assets typically arise from contractual arrangements. We will determine the acquisition-date fair values of all assets and assumed liabilities using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis) and that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known and anticipated trends, and market and economic conditions. Acquisition costs will be expensed as incurred.

Hotel renovations and/or replacements of assets that improve or extend the life of the asset are capitalized and depreciated over their estimated useful lives. Furniture, fixtures and equipment under capital leases are carried at the present value of the minimum lease payments.

Repair and maintenance costs are charged to expense as incurred.

Depreciation and Amortization

Hotel properties are carried at cost and depreciated using the straight-line method over an estimated useful life of 25 to 40 years for buildings and one to 10 years for furniture, fixtures and equipment. Intangible assets arising from contractual arrangements are typically amortized over the life of the contract.

We will be required to make subjective assessments as to the useful lives and classification of its properties for purposes of determining the amount of depreciation expense to reflect each year with respect to the assets. These assessments may impact our results of operations.

Impairment

We will monitor events and changes in circumstances for indicators that the carrying value of the hotel and related assets may be impaired. We will prepare an estimate of the undiscounted future cash flows, without interest charges, of the specific hotel and determine if the investment in such hotel is recoverable based on the undiscounted future cash flows. If impairment is indicated, an adjustment will be made to the carrying value of the hotel to reflect the hotel at fair value. These assessments may impact the results of our operations.

A hotel is considered held-for-sale when a contract for sale is entered into, a substantial, non-refundable deposit has been committed by the purchaser, and sale is expected to close.

Revenue Recognition

Revenue consists of amounts derived from hotel operations, including the sales of rooms, food and beverage, and other ancillary amenities. Revenue is recognized when rooms are occupied and services have been rendered. These revenue sources are affected by conditions impacting the travel and hospitality industry as well as competition from other hotels and businesses in similar markets.

Share-Based Compensation

Prior to completion of this offering, we will adopt an Equity Incentive Plan that provides for the grant of common share options, share awards, share appreciation rights, performance units and other equity-based awards. Equity-based compensation will be recognized as an expense in the financial statements and measured at the fair value of the award on the date of grant. The amount of the expense may be subject to adjustment in future periods depending on the specific characteristics of the equity-based award and the application of the accounting guidance.

Income Taxes

We intend to elect to be taxed as a REIT under the Code and intend to operate as such beginning with our short taxable year ending December 31, 2010. We expect to have little or no taxable income prior to electing REIT status. To qualify as a REIT, 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 accounting principles generally accepted in the United States, or GAAP). As a REIT, we generally will not be subject to federal income tax to the extent we 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 intend to organize and operate in such a manner as to qualify for treatment as a REIT.

Recently Issued Accounting Standards

In May 2009, the Financial Accounting Standards Board, or FASB, issued an accounting standard that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. It also requires public entities to evaluate subsequent events through the date that the financial statements are issued.

In June 2009, the FASB issued an accounting standard that requires enterprises to perform a more qualitative approach to determining whether or not a variable interest entity will need to be consolidated. This evaluation will be based on an enterprise's ability to direct and influence the activities of a variable interest entity that most significantly impact its economic performance. It requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This accounting standard is effective for fiscal years beginning after November 15, 2009. Early adoption is not permitted. We are evaluating the effect of this accounting standard on future acquisitions.

In June 2009, the FASB issued an accounting standard that made the FASB Accounting Standards Codification, or the Codification, the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification has superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative. This accounting standard is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Following the issuance of this accounting standard, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. FASB will not consider Accounting Standards Updates as authoritative in their own right. Accounting Standards Updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification. While we are evaluating the effect of this accounting standard, we currently believe that the adoption of this standard will not have a material impact on our financial statements.

Results of Operations

As of the date of this prospectus, we have not commenced any operations and will not commence any operations until we have completed the offering and the concurrent private placement.

Off-balance Sheet Arrangements

As of the date of this prospectus, we have no off-balance sheet arrangements.

BUSINESS

Overview

We are a self-advised hotel investment company organized in October 2009 to invest in premium-branded upscale extended-stay, select-service, and full-service hotels. We expect that a significant portion of our portfolio will consist of hotels in the upscale extended-stay market, including brands such as Residence Inn by Marriott®, Homewood Suites by Hilton® and Summerfield Suites by Hyatt®. Upscale extended-stay hotels typically have the following characteristics:

- their principal customer base includes business travelers who are on extended assignments and corporate relocations;
- their 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
- their physical facilities include large suites, quality construction, full separate kitchens in each guest suite, quality room furnishings, pool, and exercise facilities.

We also intend to invest in premium-branded select-service hotels such as Courtyard by Marriott®, Hampton Inn® and Hampton Inn and Suites®. 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. In addition, we intend to selectively invest in premium-branded full-service hotels. The service and amenity offerings of these hotels often include full-service restaurants, lounges, room service, meeting rooms, banquet and catering services, as well as high-speed internet access, local calls, in-room movie channels, and daily linen and room cleaning service. We intend to invest primarily in hotels in the 25 largest metropolitan markets in the United States. We believe that current market conditions will create attractive opportunities to acquire high quality hotels at cyclically low prices that will benefit from an improving economy and our aggressive asset management.

Our management team, led by our chief executive officer, Jeffrey H. Fisher, has extensive experience acquiring, developing, financing, repositioning, managing and selling hotels. Prior to forming Chatham Lodging Trust, Mr. Fisher served as chairman and chief executive officer of Innkeepers from its inception in 1994 through its sale in June 2007. Mr. Fisher successfully grew Innkeepers from a portfolio of seven hotels at the time of its IPO in 1994 to 74 hotels at the time of its sale and delivered strong returns for Innkeepers' shareholders. Seven of the eight members of the board of trustees of Innkeepers at the time of its sale in June 2007 have agreed to serve as trustees of our company effective upon closing of this offering.

We have entered into an agreement to purchase the six initial acquisition hotels from wholly owned subsidiaries of RLJ Development, LLC for an aggregate purchase price of $73.5 million. We expect to close the acquisition shortly after completing this offering and the concurrent private placement. Each initial acquisition hotel operates under the Homewood Suites by Hilton® brand. The initial acquisition hotels are located in Billerica, Massachusetts; Bloomington, Minnesota; Brentwood, Tennessee; Dallas, Texas; Farmington, Connecticut and Maitland, Florida. We believe that these are high quality hotels with strong locations which are well positioned to benefit from an economic recovery. We will own each of the initial acquisition hotels in fee simple and will lease the hotels to our TRS lessees, who will assume existing management agreements with the current hotel manager, Promus Hotels, Inc., a subsidiary of Hilton, which will continue to manage the hotels following our acquisition.

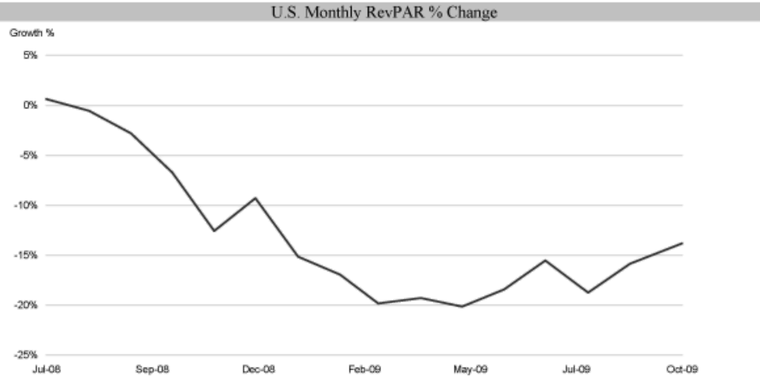
Upon completion of this offering and the concurrent private placement to Mr. Fisher, and following our purchase of the initial acquisition hotels, we expect to have approximately $ million of cash available to invest in additional hotel properties and we will have no debt.

We intend to elect and qualify to be treated as a REIT for federal income tax purposes.

Market Opportunity

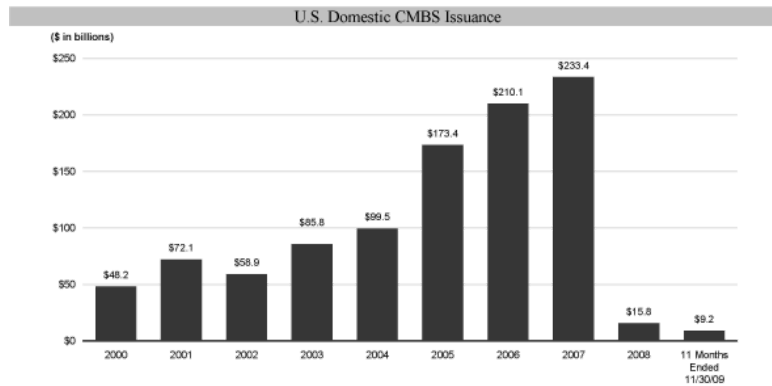
We believe current market conditions will create attractive opportunities to acquire hotel properties at prices that represent significant discounts to replacement cost and that provide potential for significant long-term value appreciation. U.S. hotel industry operating performance has declined substantially over the last year due to the challenging economic conditions created by declining GDP, high levels of unemployment, low consumer confidence, the significant decline in home prices and a reduction in the availability of credit. In addition to facing declining operating results, hotel owners have been adversely impacted by a significant decline in the availability of debt financing. The CMBS market historically provided a significant amount of debt financing to the hotel industry, especially from 2004 to 2007, but effectively has been closed since July 2008. Banks and insurance companies, traditionally significant sources of debt financing for the hotel industry, have been significantly impacted by losses in their loan portfolios, causing them to reduce their lending to the hotel industry. We believe that the combination of declining operating performance and reduction in the availability of debt financing have caused hotel values to decline and will lead to increased hotel loan foreclosures and distressed hotel property sales. In addition, we believe that the supply of new hotels is likely to remain low for the next several years due to weak industry operating fundamentals and limited availability of debt financing. Hotel industry operating performance historically has correlated with U.S. GDP growth, and a number of economists and government agencies currently predict that the U.S. economy will resume growth over the next several years. We believe that U.S. GDP growth, coupled with limited supply of new hotels, will lead to significant increases in lodging industry revenue per available room, or RevPAR, a key industry operating statistic, and hotel operating profits. We believe that our management team's significant experience in acquiring hotels, our growth oriented capital structure with no legacy issues, and our focused business strategy will position us to take advantage of hotel investment opportunities created by current market conditions.

As shown in the table below, RevPAR for U.S. hotels has shown significant monthly declines since July 2008.



Source: Smith Travel Research.

In addition to facing declining operating results, hotel owners have been adversely impacted by a significant decline in the availability of debt financing. As shown in the table below, the CMBS market historically provided a significant amount of debt financing to the real estate industry, especially from 2004 through 2007, but effectively has been closed since July 2008.

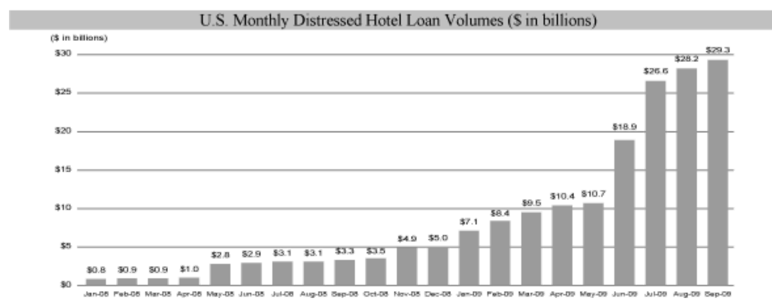


Source: Commercial Mortgage Alert.

Note: Includes U.S. agency and non-agency issuance.

Banks and insurance companies, traditionally significant sources of debt financing, have been significantly impacted by losses in their loan portfolios, causing them to reduce their lending to the hotel industry. We believe that the combination of declining operating performance and reduction in the availability of debt financing have caused the prices of hotels to decline and will lead to increased hotel loan foreclosures and distressed hotel property sales.

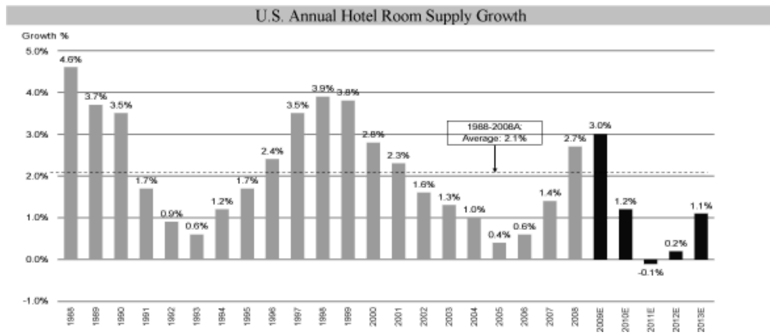
As shown in the charts below, distressed hotel loan volumes have risen dramatically since late summer 2008.



Source: Real Capital Analytics.

Note: Distressed loans include loans in foreclosure, in bankruptcy and in restructured/modified status.

Given weak current operating conditions in the lodging sector and limited availability of debt to fund new development projects, we believe that growth in new hotel room supply is likely to remain low for the next several years as shown in the chart below.

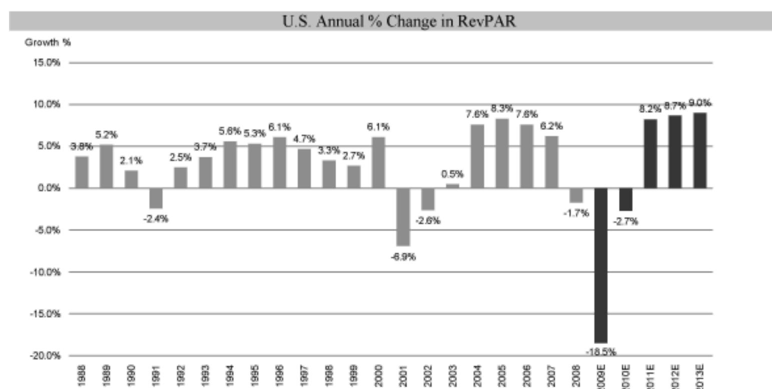


Source: Smith Travel Research (1988 -2008), PKF September — November 2009 Edition of "Hotel Horizons® Econometric Forecasts of U.S. Hotel Markets," (2009E-2013E).

Hotel industry operating performance historically has correlated with overall GDP growth. As shown below, U.S. real GDP growth is projected to resume over the next several years.

Source: U.S. Real GDP from Bureau of Economic Analysis (1988-2008) and IMF World Economic and Financial Surveys (2009E to 2014E).

We believe that a recovery in U.S. GDP growth, coupled with limited growth in new hotel room supply, will lead to significant increases in lodging industry RevPAR and operating profit.



Source: Smith Travel Research (1988 -2008), PKF "Hotel Horizons Econometric Forecasts of U.S. Hotel Markets," (2009E-2013E).

We believe our management team's significant experience acquiring hotels, our growth oriented capital structure with no legacy issues and our focused business strategy, will position us to take advantage of acquisition opportunities created by current market conditions.

Competitive Strengths

Experienced management team: We believe that our senior executive officers, who have extensive lodging industry experience, will help drive our company's growth. Our management team is led by Mr. Fisher who has over 23 years of experience in the lodging industry, including 13 years as founder and chief executive officer of Innkeepers. Mr. Fisher has longtime relationships with hotel owners (such as RLJ Development, LLC, the parent company of the sellers of the six initial acquisition hotels), developers, management companies, franchisors, hotel brokers, financiers, research analysts and institutional investors.

Strong acquisition and growth record: Mr. Fisher formed Innkeepers through a $46.9 million IPO in 1994 and served as its chairman and chief executive officer until it was sold at a total enterprise value of approximately $1.5 billion in 2007. Mr. Fisher successfully grew Innkeepers from a portfolio of seven hotels at the time of its IPO in 1994 to 74 hotels at the time of its sale. An investment in Innkeepers' common shares from the date of its IPO through the date of its sale generated a total return of approximately 318% for each share purchased at the IPO price of $10.00 per share (assuming reinvestment of all cash dividends paid by Innkeepers on its common shares for all periods following its IPO in additional common shares). Over the period beginning in the same month as the Innkeepers IPO and ending in June 2007, the month that Innkeepers was sold, the FTSE NAREIT Equity Lodging/Resorts Index increased by approximately 209%.

Prudent capital structure with no legacy issues: We believe that many potential buyers of hotel properties typically utilize significant levels of debt to fund acquisitions and thus may be limited in their ability to make acquisitions under current market conditions. In addition, we believe many potential buyers of hotel properties already have high leverage levels which could limit their ability to

acquire additional properties. At the close of this offering and the concurrent private placement to Mr. Fisher, and following the purchase of the initial acquisition hotels, we will have approximately $ million of cash available to invest in additional hotel properties and we will have no debt. We plan to maintain a prudent capital structure and intend to limit our consolidated indebtedness to not more than 35% of our investment in hotel properties at cost (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges).

Longtime relationships with leading lodging franchise and management companies: Mr. Fisher has longtime relationships with several leading hotel franchise and management companies, having acquired and developed a significant number of hotels operated under Marriott's Residence Inn® and Courtyard by Marriott® brands and Hilton's Hampton Inn® brand. Prior to its sale in 2007, Innkeepers owned 44 Residence Inns, making it one of the world's largest owners of Residence Inn hotels. Mr. Fisher has been a member of Marriott's Residence Inn Advisory Board since 1998. Mr. Fisher was one of the early franchisees of Hampton Inn hotels and Innkeepers owned twelve Hampton Inns at the time of its sale.

Our Strategy and Investment Criteria

Our primary objective is to generate attractive returns for our shareholders through investing in hotel properties at prices that provide strong risk-adjusted 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 intend to invest primarily in premium-branded upscale extended-stay, select-service and full-service hotels in the 25 largest metropolitan markets in the United States. We will 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 will also seek to acquire properties that we believe are undermanaged or undercapitalized.
- *Opportunistic hotel repositioning:* We intend to 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 will work closely with our third-party management companies to maximize hotel operating performance. Our asset management activities will seek to ensure that our third-party 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. We will reinvest in our hotels to maintain quality, increase long-term value and generate attractive returns.
- *Flexible selection of hotel management companies*: We intend to be flexible in our selection of hotel management companies and select managers that we believe will maximize the performance of our hotels. We intend to utilize brand-affiliated management companies such as Marriott International, Inc., Hilton Worldwide, Starwood Hotels & Resorts Worldwide, Inc., Hyatt Hotels Corporation and InterContinental Hotels Group, although we may also utilize independent management companies such as IHM. We believe this strategy will increase the universe of potential acquisition opportunities we can consider because many hotel properties are encumbered by long-term management contracts. We believe that our willingness to utilize brand-affiliated management companies may lead to these companies bringing "off-market" transactions to our attention that may not be available to other hotel investors. An affiliate of Hilton Hotels Corporation will manage our six initial hotels.

- *Selective investment in hotel debt:* We may consider selectively investing in debt secured 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.

Initial Acquisition Hotels

We have entered into an agreement to purchase the initial acquisition hotels from wholly owned subsidiaries of RLJ Development, LLC for an aggregate purchase price of $73.5 million. Each of the initial acquisition hotels operates under the Homewood Suites by Hilton® brand. The six initial acquisition hotels contain an aggregate of 813 suites and are located in the major MSAs of Boston, Massachusetts; Minneapolis, Minnesota; Nashville, Tennessee; Dallas, Texas; Hartford, Connecticut and Orlando, Florida. The upscale all-suite residential style Homewood Suites by Hilton® brand caters to travelers typically seeking home-like amenities from a hotel when traveling for several days or more. Each spacious suite typically offers separate living and sleeping areas and a fully operational kitchen to satisfy guests' needs for comfort, flexibility and convenience.

We believe that our senior management's relationship and successful past transaction history while at Innkeepers with RLJ Development, LLC, the parent company of the sellers of the initial acquisition hotels, helped facilitate this attractive off-market transaction. We believe that there are a limited number of potential buyers currently able to compete for acquisitions of portfolios such as the initial acquisition hotels since there are no current public lodging REITs primarily focused on acquiring and owning upscale extended-stay hotels and many potential private buyers may not have access to sufficient equity or debt capital to complete acquisitions of this size.

The initial acquisition hotels have a number of attractive characteristics that make them an excellent fit with our business strategy:

- Our purchase price of $90,406 per room represents a substantial discount to our estimate of replacement cost.
- The hotels are located in major MSAs.
- The hotels are attractively situated within their markets in areas with high barriers to entry, since little comparable land is available to build competing hotels.
- The hotels are located near multiple demand generators that contribute both business and leisure guests, including major office parks, universities, airports and leading regional and international tourist attractions.
- The hotels have the opportunity for significant performance improvement when the economy recovers.
- The hotels have potential to benefit from additional capital investment at a time when we believe few competitors can afford to reinvest in their properties.
- The hotels are upscale extended-stay properties that operate under the high quality Homewood Suites by Hilton® brand.

We believe this acquisition demonstrates our ability to execute our business strategy of acquiring high quality premium-branded upscale extended-stay and select service hotels located in markets with strong growth potential and high barriers to entry at attractive prices. The initial acquisition hotels will provide us with a strong initial platform to faciliate the future growth of our company.

We will own each of the initial acquisition hotels in fee simple and will lease the hotels to our TRS lessees. Our TRS lessees will assume the existing management agreements with the current manager, Promus Hotels, Inc., a subsidiary of Hilton, which will continue to manage the hotels following our acquisition. We expect to close this acquisition shortly after completing this offering and the concurrent private placement.

We intend to invest approximately $ million over the next years to enhance the quality of the six initial acquisition hotels. This capital will be used to upgrade guest rooms and common areas and includes our estimate of the amounts Hilton will require us to spend as part of a PIP for the hotels. We believe that this investment will improve the quality of the initial acquisition hotels, further differentiate them from their primary competitors and enhance their performance. We believe that the current market environment, with depressed hotel operating performance, provides an attractive time to complete the planned renovations of the initial acquisition hotels because there will be less displacement of guests and lost revenues due to current low occupancy rates and room rates than in a more robust economic environment. We believe that investing in our properties in the current environment will also better position them to outperform competing properties as economic conditions improve.

Below is certain information regarding the initial acquisition hotels:

Property	Location	Year Opened	Hotel Rooms	Nine Months Ended September 30, 2009 Occupancy	ADR	RevPAR	Purchase Price Total	Per Room
Homewood Suites Billerica	Billerica (Boston), MA	1999	147	61.9%	$ 112.45	$ 69.63	$ 12,550,000	$ 85,374
Homewood Suites Bloomington	Bloomington (Minneapolis), MN	1998	144	80.6%	$ 109.52	$ 88.32	18,000,000	125,000
Homewood Suites Brentwood	Brentwood (Nashville), TN	1998	121	66.1%	$ 101.14	$ 66.89	11,250,000	92,975
Homewood Suites Dallas Market Center	Dallas, TX	1998	137	60.9%	$ 107.82	$ 65.64	10,700,000	78,102
Homewood Suites Farmington	Farmington (Hartford), CT	1999	121	68.0%	$ 118.64	$ 80.71	11,500,000	95,041
Homewood Suites Maitland	Maitland (Orlando), FL	2000	143	65.1%	$ 101.89	$ 66.33	9,500,000	66,434
Total Portfolio			**813**	**67.2%**	**$ 108.59**	**$ 72.93**	**$ 73,500,000**	**$ 90,406**

Total portfolio operating statistics	Nine Months Ended September 30, 2009	2008	Fiscal Year Ended December 31, 2008	2007	2006
	($ in thousands, except ADR and RevPAR data)				
Total Revenue	$ 16,601	$ 19,342	$ 24,964	$ 24,939	$ 23,360
Total Property EBITDA(1)	$ 5,283	$ 6,683	$ 8,222	$ 8,445	$ 7,527
Occupancy	67.2%	74.9%	72.8%	75.8%	74.4%
ADR(2)	$ 108.59	$ 111.95	$ 111.27	$ 106.97	$ 101.90
RevPAR(3)	$ 72.93	$ 83.84	$ 81.01	$ 81.13	$ 75.84

(1) Total property EBITDA is defined as net income (loss) (calculated in accordance with GAAP) before interest, taxes, depreciation and amortization and is presented here based on historical financial information for the six initial acquisition hotels only prior to their acquisition by us. We believe that the presentation of historical EBITDA for the initial acquisition hotels provides useful supplemental information to investors regarding the financial condition of the hotels. EBITDA is also a factor in our evaluation of hotel-level operating performance and is one measure in determining the value of acquisitions. However, EBITDA should not be considered as an alternative to net income, net cash provided by operating activities or any other financial and operating performance measure prescribed by GAAP. and should only be used in accordance with GAAP measures. EBITDA is reconciled with net income (loss) determined in accordance with GAAP in the schedule below.

	Nine Months Ended September 30,		Fiscal Year Ended December 31,		
	2009	2008	2008	2007	2006
	($ in thousands)				
Net Income	$ 644	$ 2,082	$ 2,069	$ 2,404	$ 1,652
Interest Expense	2,683	2,758	3,672	3,747	3,825
Income Tax Expense	0	0	0	0	0
Depreciation	1,956	1,843	2,481	2,294	2,050
Total Property EBITDA	$ 5,283	$ 6,683	$ 8,222	$ 8,445	$ 7,527

Total property EBITDA does not reflect any corporate general and administrative expense. See "Pro forma financial information of Chatham Lodging Trust."

(2) ADR represents average daily rate.

(3) RevPAR represents revenue per available room, calculated as total revenue divided by available room nights.

Homewood Suites Billerica

The 147-room Homewood Suites Billerica is centrally located in Boston's high-tech corridor within minutes from Routes 3 and 128 and I-495, the main thoroughfares for Northeast Massachusetts' technology based businesses. The hotel offers easy access to the area's businesses and cultural attractions and is only a short drive to numerous corporate headquarters and downtown Boston. Primary demand generators include the many high technology companies located in the area, Hanscom Air Force Base, the University of Massachusetts Billerica and the Lahey Clinic.

	Nine Months Ended September 30,		Fiscal Year Ended December 31,		
	2009	2008	2008	2007	2006
	($ in thousands, except ADR and RevPAR data)				
Total Revenue	$ 2,872	$ 3,459	$ 4,476	$ 4,387	$ 4,097
Occupancy	61.9%	68.4%	66.7%	70.7%	73.1%
ADR	$ 112.45	$ 120.89	$ 120.48	$ 112.54	$ 101.55
RevPAR	$ 69.63	$ 82.71	$ 80.31	$ 79.52	$ 74.18

Homewood Suites Bloomington

The 144-room Homewood Suites Bloomington is located in Bloomington, Minnesota directly across the street from the Mall of America, the largest indoor shopping complex in the U.S. The hotel is located three miles from the Minneapolis/St. Paul International Airport and offers easy access to downtown Minneapolis, the Metrodome and Como Park Zoo and Conservatory. Primary demand generators include the Mall of America, which has approximately 40 million annual visitors, the Minneapolis/St. Paul International Airport, and several publicly traded Fortune 1000 companies headquartered in the city of Bloomington, including Toro, Donaldson Corporation and Ceridian Corp.

	Nine Months Ended September 30,		Fiscal Year Ended December 31,		
	2009	2008	2008	2007	2006
	($ in thousands, except ADR and RevPAR data)				
Total Revenue	$ 3,589	$ 3,995	$ 5,200	$ 4,961	$ 4,795
Occupancy	80.6%	80.5%	80.5%	82.3%	81.3%
ADR	$ 109.52	$ 121.33	$ 117.63	$ 110.67	$ 107.77
RevPAR	$ 88.32	$ 97.70	$ 94.65	$ 91.10	$ 87.61

Homewood Suites Brentwood

The 121-room Homewood Suites Brentwood is located in Maryland Farms, Nashville's largest office park, and is approximately nine miles south of downtown Nashville. Primary demand generators include AT&T, Gulfstream Aircraft, IASIS Healthcare and other Fortune 500 companies located in and proximate to the Maryland Farms office park, the Nashville Convention Center and tourist attractions in the Nashville area, including the Grand Ole Opry.

	Nine Months Ended September 30,		Fiscal Year Ended December 31,		
	2009	2008	2008	2007	2006
	($ in thousands, except ADR and RevPAR data)				
Total Revenue	$ 2,258	$ 2,692	$ 3,450	$ 3,520	$ 3,054
Occupancy	66.1%	75.6%	72.6%	79.2%	77.4%
ADR	$ 101.14	$ 103.90	$ 103.96	$ 96.71	$ 85.94
RevPAR	$ 66.89	$ 78.57	$ 75.50	$ 76.58	$ 66.56

Homewood Suites Dallas Market Center

The 137-room Homewood Suites Dallas Market Center is located across the Stemmons Freeway from the Dallas Market Center, which is the world's largest wholesale merchandise mart and is visited by approximately 400,000 retail buyers each year. Additional demand is generated from the Dallas Convention Center, only three miles from the hotel, as well as from Methodist Hospital, FDIC, 7-11, Southwest Airlines, AT&T, Comerica and many other corporate and medical businesses in the area.

	Nine Months Ended September 30,		Fiscal Year Ended December 31,		
	2009	2008	2008	2007	2006
	($ in thousands, except ADR and RevPAR data)				
Total Revenue	$ 2,514	$ 2,900	$ 3,718	$ 3,793	$ 3,455
Occupancy	60.9%	76.9%	73.2%	73.7%	71.2%
ADR	$ 107.82	$ 97.27	$ 98.27	$ 98.91	$ 93.60
RevPAR	$ 65.64	$ 74.82	$ 71.89	$ 72.94	$ 66.65

Homewood Suites Farmington

The 121-room Homewood Suites Farmington is located in Connecticut's Farmington Valley off of I-84 and is eight miles from downtown Hartford. Primary demand generators include the University of Connecticut Health Center, a major research hospital located less than 0.25 miles from the hotel, businesses in an office park located approximately two miles from the hotel, including corporate headquarters for Otis Elevators and Carrier Corporation, Stanley and CSC and the Hill-Stead museum, as well as numerous companies and attractions located in downtown Hartford.

	Nine Months Ended September 30,		Fiscal Year Ended December 31,		
	2009	2008	2008	2007	2006
	($ in thousands, except ADR and RevPAR data)				
Total Revenue	$ 2,730	$ 3,229	$ 4,232	$ 4,111	$ 3,837
Occupancy	68.0%	77.0%	75.6%	75.6%	71.1%
ADR	$ 118.64	$ 120.86	$ 121.18	$ 118.33	$ 117.32
RevPAR	$ 80.71	$ 93.06	$ 91.60	$ 89.49	$ 83.43

Homewood Suites Maitland

The 143-room Homewood Suites Maitland is located in the heart of the Maitland Business Center, one of the largest office parks in the Orlando area, approximately six miles north of downtown

Orlando. The hotel offers convenient access to attractions at Lake Lucien and is a short driving distance from Walt Disney World, Universal Studios and numerous championship golf courses. Maitland and the surrounding area are also home to a number of high technology firms and corporate training centers for Lucent, Avaya, New Horizons, Northrop Grumman, Darden Restaurants, CAN, Fidelity and Federal Express, as well as government employers.

	Nine Months Ended September 30,		Fiscal Year Ended December 31,		
	2009	2008	2008	2007	2006
	($ in thousands, except ADR and RevPAR data)				
Total Revenue	$ 2,638	$ 3,067	$ 3,888	$ 4,167	$ 4,122
Occupancy	65.1%	71.5%	68.9%	74.0%	72.3%
ADR	$ 101.89	$ 106.71	$ 105.16	$ 104.52	$ 105.08
RevPAR	$ 66.33	$ 76.32	$ 72.43	$ 77.34	$ 75.93

The following is a summary of the terms of agreements we expect to enter into in connection with our purchase of the initial acquisition hotels.

Initial Acquisition Hotels Management Agreements

Upon completion of our purchase of the initial acquisition hotels following completion of the offering and concurrent private placement, we expect our TRS lessees will assume each of the existing hotel management agreements for the hotels with Promus Hotels, Inc., a subsidiary of Hilton, as manager of the hotels. Each of these hotel management agreements became effective on December 20, 2000, has an initial term of 15 years and may be renewed for an additional five-year period at the manager's option by written notice to us no later than 120 days prior to the expiration of the initial term.

Under the current hotel management agreements in place for each of the initial acquisition hotels, the manager receives a base management fee equal to 2% of the hotel's gross room revenue 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, agreed-upon return on the owner's original investment and debt service payments. In addition to the management fee, a franchise royalty fee equal to 4% of the hotel's gross room revenue and program fees equal to 4% of the hotel's gross room revenue are also payable to Hilton. See "Initial Acquisition Hotels Franchise Agreements".

Subject to the following exceptions, the hotel management agreements covering the initial acquisition hotels generally are non-terminable by the owner or the manager.

Early Termination: Subject to certain limitations, the hotel management agreements are generally terminable upon (i) casualty or condemnation of the hotel or (ii) the occurrence of certain events of default. If an event of default occurs and continues beyond the grace period set forth in the hotel management agreement, the non-defaulting party generally has, among other remedies, the option of terminating the applicable hotel management agreement upon notice to the other party. Beginning on the third anniversary of the closing of our purchase of the initial acquisition hotels, we may terminate the management agreements upon six months' notice to the manager.

Performance Termination: All of the hotel management agreements are generally terminable by the owner earlier than the stated term, subject to certain limitations, as a result of the failure of the hotel to meet certain market and financial performance thresholds over a period of two consecutive years. In the event a performance termination is issued, the manager may avoid termination of the agreement by making a cure payment to the owner.

Sale or Lease of a Hotel: Upon a change of control, the manager has the right to terminate the management agreement if the new owner does not receive a Homewood Suites License

Agreement for the operation of the hotel. Upon a change of control, the owner may terminate the management agreement with a termination payment to the manager calculated as follows:

- if the change in control occurs in years 1 to 7 of the term of the agreement, the discounted present value of management fees the manager would have received through the remaining term of the agreement;
- if the change in control occurs in year 8, 200% of management fee earned over the prior 12 months;
- if the change in control occurs in year 9 to 10, 100% of management fee earned over the past 12 months; and
- if the change in control occurs in year 11 and thereafter, no termination fee.

Upon a change in control in which the new owner assumes the existing management agreement and obtains a Homewood Suites franchise agreement for the operation of the hotel, the owner may terminate the management agreement without payment of any termination fee to the manager.

Initial Acquisition Hotels Franchise Agreements

Upon acquisition of the initial acquisition hotels following the completion of this offering and concurrent private placement, our TRS lessees will enter into new hotel franchise agreements with Promus Hotels, Inc., a subsidiary of Hilton Hotels Corporation, as manager for the initial acquisition hotels. Each of the new hotel franchise agreements will have an initial term of 15 years.

The hotel franchise agreements for each of the initial acquisition hotels provide for a franchise royalty fee equal to 4% of the hotel's gross room revenue and a program fee equal to 4% of the hotel's gross room revenue.

The franchise agreements generally have no termination rights unless the franchisee fails to cure an event of default in accordance with the franchise agreements.

Our TRS Leases

In order for us to qualify as a REIT, we cannot operate the hotels we own. Our operating partnership, or subsidiaries of our operating partnership, as lessors, will lease our hotels to our TRS lessees and our TRS lessees will assume or enter into hotel management agreements with third-party managers to manage the hotels.

Financing Strategies

We plan to maintain a prudent capital structure and intend to limit our consolidated indebtedness to not more than 35% of our investment in hotel properties at cost (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges). As a result, we do not believe that a subsequent decrease in property values will not require us to repay debt. Over time, we intend to finance our growth with issuances of common and preferred securities and debt. Our debt may include mortgage debt secured by our hotel properties and unsecured debt. We plan to arrange and utilize a revolving credit facility that we anticipate will be in place following the investment of the net proceeds of this offering. This facility, which we expect will be secured by hotel properties we acquire and other assets, will be used for general corporate purposes.

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 the acquisition and investment in hotel properties from institutional pension funds, private equity investors, REITs, hotel companies and others who are engaged in the acquisition of hotels. 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. The hotels we acquire will compete with other hotels for guests in each market in which our hotels will 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 will often be specific to the individual markets in which our hotels will be located and includes competition from existing and new hotels. Competition could adversely affect our occupancy rates and 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.

Legal Proceedings

We are not currently involved in any material litigation nor, to our knowledge, is any material litigation pending or threatened against us.

MANAGEMENT

Trustees and Executive Officers

Currently our board of trustees consists of one trustee, Mr. Fisher. Upon completion of the offering, our board of trustees will consist of seven trustees, each of whom has agreed to serve as a trustee upon completion of the offering. Our board of trustees will be elected annually by our shareholders in accordance with our bylaws. Our bylaws provide that a majority of the entire board of trustees may establish, increase or decrease the number of trustees, provided that the number of trustees shall never be less than one nor more than fifteen. All of our executive officers will serve at the discretion of our board of trustees. Our board of trustees will determine whether our trustees satisfy the New York Stock Exchange's, or NYSE's, independence standards.

The following table sets forth the names and ages of our executive officers, trustee and each person who has agreed to become a trustee upon completion of the offering and the descriptions below set forth information about each such person.

Name	Age	Position
Jeffrey H. Fisher	54	Chairman, President and Chief Executive Officer
Peter Willis	42	Executive Vice President and Chief Investment Officer
Miles Berger*	79	Trustee
Thomas J. Crocker*	56	Trustee
Jack P. DeBoer*	78	Trustee
C. Gerald Goldsmith*	81	Trustee
Rolf E. Ruhfus*	65	Trustee
Joel F. Zemans*	68	Trustee

* Has agreed to become a trustee upon completion of this offering.

Jeffrey H. Fisher — Chairman, President & Chief Executive Officer

Mr. Fisher is our chairman of the board, chief executive officer and president. Mr. Fisher is also the chairman, president and majority shareholder of IHM, a firm he founded in 2007 that currently manages 77 third-party hotels. From 1994 to 2007, Mr. Fisher was chairman, chief executive officer and president of Innkeepers USA Trust, a lodging REIT he founded and took public in 1994 and was also chairman and majority shareholder of Innkeepers Hospitality, a privately owned hotel management company. Mr. Fisher grew Innkeepers' portfolio from seven hotels at the time of its initial public offering to 74 hotels at the time of its sale. In June of 2007, Innkeepers was sold to an institutional investor at a total enterprise value of $1.5 billion. Between 1986 and 1994, he served as President and Chief Executive Officer of JF Hotel Management, Inc.

Mr. Fisher received a Bachelor of Science degree in Business Administration from Syracuse University in 1977, a Doctor of Jurisprudence degree from Nova Southeastern University in 1980, and a Masters of Law in Taxation from the University of Miami in 1981. He is a licensed attorney and practiced at Jones & Foster P.A. and Jeffrey H. Fisher P.A. for a total of five years prior to starting his career in the hospitality industry. Additionally, Mr. Fisher currently serves as a Board Member of Marriott's The Residence Inn Association (TRIA).

Peter Willis — Executive Vice President & Chief Investment Officer

Mr. Willis is our Executive Vice President & Chief Investment Officer. Mr. Willis has over 20 years of hotel acquisition experience. From 2001 to 2006, he served as Vice President of Acquisitions & Business Development for Innkeepers and oversaw over $500 million of investments in 18 hotels. From June 2006 to January 2009, Mr. Willis served as Senior Vice President at The Kor Group,

a privately held, fully integrated real estate investment firm with a portfolio of over $2 billion in upscale hotel and resort investments, where he focused on U.S. and Caribbean acquisitions and third-party management contracts. While evaluating, negotiating and underwriting specific hotel investments and obtaining and negotiating management contract prospects, Mr. Willis also supported strategic acquisition and corporate planning efforts.

Mr. Willis also held positions with an industry-leading firm supporting the opening of luxury hotels. Establishing the organization's first international operation in the Asia/Pacific region in 1994, he directed the repositioning and opening of properties throughout the region and in the United States. By 2001, Mr. Willis led overall strategic planning, business development and investor relations, as well as integrating acquisitions among the firm's operating entities. Mr. Willis began as an analyst and asset manager of hotel, residential and commercial properties for Japanese investment firm JDC America in Tokyo and in the United States.

Mr. Willis received a Bachelor of Science in Business Administration from the University of Florida in 1989 and has completed professional programs at Cornell University's Hotel School and Obirin University in Tokyo.

We expect to hire a chief financial officer prior to completion of this offering.

In addition to Mr. Fisher, the following persons have agreed to become trustees upon completion of this offering:

Miles Berger

Mr. Berger has been engaged in real estate, banking and financial services since 1950. In 1998, Mr. Berger became Chairman and Chief Executive Officer of Berger Management Services LLC, a real estate and financial consulting and advisory services company. From 1969 to 1998, he served as Vice Chairman of the Board of Heitman Financial Ltd., a real estate investment management firm. Mr. Berger served for more than thirty years, until 2001, as Chairman of the Board of MidTown Bank and Trust Company of Chicago, served as Vice Chairman of Columbia National Bank Corp. from 1965-1995 and was Chairman of the Board of Berger Financial Services, a full-service real estate advisory and financial services company from 1950 to 2006. Mr. Berger also serves on the Board of Directors of Medallion Bank and serves as Trustee for Universal Health Trust and is on the boards of numerous philanthropic organizations. Mr. Berger previously served on the Board of Trustees of Innkeepers from September 1994 until Innkeepers' sale in June 2007.

Thomas J. Crocker

Mr. Crocker is Chief Executive Officer and principal investor of Crocker Partners, LLC, a privately-held real estate investment company, which is the general partner of a real estate private equity fund, Crocker Partners IV, L.P. Mr. Crocker was previously the Chief Executive Officer of CRT Properties, Inc. (formerly known as Koger Equity, Inc.), until its sale in September 2005. CRT Properties, Inc. was a publicly-held real estate investment trust, which owned or had interests in more than 137 office buildings, containing 11.7 million rentable square feet, primarily located in 25 suburban and urban office projects in 12 metropolitan areas in the Southeastern United States, Maryland and Texas. Prior to joining Koger Equity, Inc. in March 2000, Mr. Crocker was Chairman of the Board and Chief Executive Officer of Crocker Realty Trust, Inc., a privately-held REIT, which owned and operated approximately 6.2 million square feet in 133 office buildings located in six states in the Southeast, plus more than 125 acres of developable land. Previously, Mr. Crocker was Chairman of the Board and Chief Executive Officer of Crocker Realty Trust, Inc., which was an office-based publicly-held REIT in the southeast U.S., from that company's inception until June 1996, when it merged with Highwoods Properties, a publicly-held REIT. Prior to forming Crocker Realty Trust, Inc., Mr. Crocker headed Crocker & Co., a privately-held firm responsible for development, leasing and property management services to approximately 1.7 million square feet of commercial property and 272 residential units. Prior

to 1984, Mr. Crocker was a real estate lending officer at Chemical Bank. Mr. Crocker previously served on the Board Trustees of Innkeepers from February 1997 until Innkeepers' sale in June 2007.

Jack P. DeBoer

Mr. DeBoer is Chairman of Consolidated Holdings, Inc., a private investment company focusing on real estate development and management. Mr. DeBoer is also the Chairman of the Board and majority owner of Value Place LLC, owner of the franchise rights to the Value Place brand of hotels, which provides affordable extended-stay lodging. Mr. DeBoer served as Chairman of the Board, President and Chief Executive Officer of Candlewood Hotel Company, Inc. from its inception in 1995 until it was acquired in December 2003. From October 1993 to September 1995, Mr. DeBoer was self-employed and engaged in the development of the Candlewood extended-stay hotel concept. From 1988 to 1993, Mr. DeBoer co-founded and developed Summerfield Hotel Corporation, an upscale extended-stay hotel chain. Previously, Mr. DeBoer founded and developed the Residence Inn franchise prior to selling the franchise to Marriott in 1987. Mr. DeBoer previously served on the Board of Trustees of Innkeepers from November 1996 until Innkeepers' sale in June 2007.

C. Gerald Goldsmith

Mr. Goldsmith has been an independent investor and financial advisor since 1976. He is currently Chairman of the Board of First Bank of the Palm Beaches, a community bank in Palm Beach County, Florida, and Chairman of Property Corp. International, a private real estate investment company. He has served as a director of several banks and NYSE-listed companies and various philanthropic organizations. He holds an A.B. from the University of Michigan and an M.B.A. from Harvard Business School. Mr. Goldsmith previously served on the Board of Trustees of Innkeepers from September 1994 until Innkeepers' sale in June 2007.

Rolf E. Ruhfus

Mr. Ruhfus is Chairman and Chief Executive Officer of LodgeWorks Corporation, a hotel development and management company, which owns the Hotel Sierra and AVIA hotel brands. Mr. Ruhfus also serves as Chairman and Chief Executive Officer of Wichita Consulting Company, L.P., a consulting services company. Previously, Mr. Ruhfus served as the Chairman and Chief Executive Officer of Summerfield Hotel Corporation, an upscale extended-stay hotel chain, from its founding in 1988 until its sale to Wyndham International, Inc. in 1998. Mr. Ruhfus served as President of the Residence Inn Company from February 1983 though July 1987 (when it was acquired by Marriott International, Inc.). Mr. Ruhfus joined the Residence Inn Company after spending four years as Director of Marketing for VARTA Battery, Europe's largest battery manufacturer. Prior to this position, he was a management consultant for McKinsey and Company in its Dusseldorf, Germany office. Mr. Ruhfus was a German Air Force Lieutenant and received a bachelor's degree from Western Michigan University in 1968. His graduate degrees include an M.B.A. from the Wharton School at the University of Pennsylvania in 1971 and a Ph.D. in marketing from the University of Meunster in 1974. Mr. Ruhfus is a member of the international chapter of The Young Presidents Organization and serves on the board of several European companies. Mr. Ruhfus previously served on the Board of Trustees of Innkeepers from July 1997 until Innkeepers' sale in June 2007.

Joel F. Zemans

Mr. Zemans has been active in the ownership and operation of real estate and banks since 1969. From 1971 through 1976, he served as Executive Vice President (and through 1984 as a Director) of Chicago Properties Corporation, a real estate development company specializing in the rehabilitation of multi-unit residential properties in Chicago. Between 1976 and 1991, Mr. Zemans served as President and Chief Executive Officer of de novo Mid Town Bancorp, Inc. and its subsidiary, Mid Town Bank and Trust Company of Chicago, and as Chairman and Chief Executive Officer of two wholly-owned subsidiaries, Mid Town Development Corporation and Equitable Finance Corporation. He currently

serves as a consultant to businesses and individuals for real estate financing, investing and strategic planning. Mr. Zemans also serves on the Board of Directors of Bright Electric Supply and MBA Building Supplies, and he provides pro-bono consulting to a number of not-for-profit organizations. Mr. Zemans holds both a B.A. and an M.B.A. from the University of Chicago. Mr. Zemans previously served on the Board of Trustees of Innkeepers from November 2001 until Innkeepers' sale in June 2007.

Board Committees

Upon completion of this offering, our board of trustees will appoint an Audit Committee, Compensation Committee and a Nominating and Corporate Governance Committee, and will adopt charters for each of these committees. Under these charters, the composition of each committee will be required to comply with the listing standards and other rules and regulations of the NYSE, as amended or modified from time to time. Initially, each of these committees will have three trustees and will be composed exclusively of independent trustees, as defined by the listing standards of the NYSE then in effect.

Audit Committee

Our board of trustees will establish an Audit Committee, which will consist of , and . The Audit Committee will make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of our internal accounting controls. Mr. , an independent trustee, will chair our Audit Committee and will be our audit committee financial expert as that term is defined by the Securities and Exchange Commission, or the SEC.

Compensation Committee

Our board of trustees will establish a Compensation Committee, which will consist of and . The Compensation Committee will determine compensation for our executive officers, administer our share plan, produce an annual report on executive compensation for inclusion in our annual meeting proxy statement and publish an annual committee report for our shareholders. All members of our Compensation Committee are expected to be independent under the applicable rules and regulations of the SEC, the NYSE and the Code.

Nominating and Corporate Governance Committee

Our board of trustees will establish a Nominating and Corporate Governance Committee, which will consist of and . The Nominating and Corporate Governance Committee will be responsible for seeking, considering and recommending to the board qualified candidates for election as trustees and recommending a slate of nominees for election as trustees at the annual meeting. It also will periodically prepare and submit to the board for adoption the committee's selection criteria for trustee nominees. It will review and make recommendations on matters involving general operation of the board and our corporate governance, and it annually recommends to the board nominees for each committee of the board. In addition, the committee will annually facilitate the assessment of the board of trustees' performance as a whole and of the committees and individual trustees and reports thereon to the board.

Code of Ethics

Upon completion of the offering, we will have adopted a corporate code of ethics relating to the conduct of our business by our employees, officers and trustees. We intend to maintain the highest standards of ethical business practices and compliance with all laws and regulations applicable to our business, including those relating to doing business outside the U.S. Specifically, our code of ethics

prohibits payments, directly or indirectly, to any foreign official seeking to influence such official or otherwise obtain an improper advantage for our business.

Compensation Committee Interlocks and Insider Participation

None of the trustees expected to serve on our Compensation Committee is one of our officers or employees. No member of our board of trustees and no trustee expected to serve on our Compensation Committee serves as a member of the board of trustees (or board of directors) or Compensation Committee of any entity that has one or more executive officers serving as a trustees of our board of trustees.

Indemnification of Trustees and Executive Officers and Limitations on Liability

For information concerning limitations of liability and indemnification applicable to our trustees, executive officers and, in certain circumstances, employees, see "Certain Provisions of Maryland Law and of Our Declaration of Trust and Bylaws" located elsewhere in this prospectus.

Trustee Compensation

Each of our independent trustees who does not serve as the chairman of one of our committees will be paid a trustee's fee of $ per year. Each trustee who serves as a committee chairman, other than our Audit Committee chairman, will be paid a trustee's fee of $. The trustee who serves as our Audit Committee chairman will be paid a trustee's fee of $. Trustees' fees will be paid one-half in cash and one-half in our common shares although each trustee may elect to receive up to all of his trustee fees in the form of our common shares. Trustees who are employees will receive no additional compensation as trustees. In addition, we will reimburse all trustees for reasonable out-of-pocket expenses incurred in connection with their services on the board of trustees.

Each of our trustees who is not an employee will receive an initial grant of restricted common shares concurrent with completion of this offering.

COMPENSATION DISCUSSION AND ANALYSIS

We expect to pay base salaries and annual bonuses and make grants of awards under our Equity Incentive Plan to certain of our officers, effective upon completion of the offering. The initial awards under our Equity Incentive Plan will be granted to provide performance and retention incentives to these individuals and to recognize such individuals' efforts on our behalf in connection with our formation and this offering. Our board of trustees and our Compensation Committee have not yet adopted compensation policies with respect to, among other things, setting base salaries, awarding bonuses or making future grants of equity awards to our executive officers. We anticipate that such determinations will be made by our Compensation Committee based on factors such as the desire to retain such officer's services over the long-term, aligning such officer's interest with those of our shareholders, incentivizing such officer over the near-, medium- and long-term, and rewarding such officer for exceptional performance. In addition, our Compensation Committee may determine to make awards to new executive officers to help attract them to our company.

Executive Compensation

Set forth below are the initial annual cash compensation and equity awards to be granted to our President and Chief Executive Officer and our other most highly compensated executive officer commencing upon completion of this offering:

Summary Compensation Table

Name and principal position	Year	Base Salary	Bonus	Share Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
		$	$						
Jeffrey H. Fisher									
Peter Willis									

Equity Incentive Plan

Upon the completion of this offering, our board of trustees will have adopted, and our sole shareholder will have approved, our Equity Incentive Plan to attract and retain independent trustees, executive officers and other key employees and service providers, including officers and employees of our affiliates. The Equity Incentive Plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards.

Administration of the Equity Incentive Plan

The Equity Incentive Plan will be administered by our Compensation Committee and the Compensation Committee will approve all terms of awards under the Equity Incentive Plan. Our Compensation Committee will also approve who will receive grants under the Equity Incentive Plan and the number of common shares subject to the grant.

Eligibility

All of our employees and employees of our subsidiaries and affiliates, including our operating partnership, are eligible to receive grants under the Equity Incentive Plan. In addition, our independent trustees and consultants and advisors who perform services for us and our subsidiaries and affiliates may receive grants under the Equity Incentive Plan.

Share Authorization

The number of common shares that may be issued under the Equity Incentive Plan will be equal to   % of the aggregate number of our common shares outstanding immediately following completion of this offering, which will include any shares issued pursuant to exercise of the underwriters' overallotment option.

In connection with share splits, dividends, recapitalizations and certain other events, our board will make adjustments that it deems appropriate in the aggregate number of common shares that may be issued under the Equity Incentive Plan and the terms of outstanding awards.

If any options or share appreciation rights terminate, expire or are canceled, forfeited, exchanged or surrendered without having been exercised or paid or if any share awards, performance units or other equity-based awards are forfeited, the common shares subject to such awards will again be available for purposes of the Equity Incentive Plan.

No awards under the Equity Incentive Plan were outstanding prior to completion of this offering. The initial grants described above will become effective upon completion of this offering.

Options

The Equity Incentive Plan authorizes our Compensation Committee to grant incentive stock options (under Section 422 of the Code) and options that do not qualify as incentive share options. The exercise price of each option will be determined by the Compensation Committee, provided that the price cannot be less than 100% of the fair market value of the common shares on the date on which the option is granted (or 110% of the shares' fair market value on the grant date in the case of an incentive share option to an individual who is a "ten percent shareholder" under Sections 422 and 424 of the Code). The exercise price for any option is generally payable (i) in cash, (ii) by certified check, (iii) by the surrender of common shares (or attestation of ownership of common shares) with an aggregate fair market value on the date on which the option is exercised, of the exercise price, or (iv) by payment through a broker in accordance with procedures established by the Federal Reserve Board. The term of an option cannot exceed ten years from the date of grant (or five years in the case of an incentive share option granted to a "ten percent shareholder").

Share Awards

The Equity Incentive Plan also provides for the grant of share awards. A share award is an award of common shares that may be subject to restrictions on transferability and other restrictions as our Compensation Committee determines in its sole discretion on the date of grant. The restrictions, if any, may lapse over a specified period of time or through the satisfaction of conditions, in installments or otherwise, as our Compensation Committee may determine. A participant who receives a share award will have all of the rights of a shareholder as to those shares, including, without limitation, the right to vote and the right to receive dividends or distributions on the shares. During the period, if any, when share awards are non-transferable or forfeitable, (i) a participant is prohibited from selling, transferring, pledging, exchanging, hypothecating or otherwise disposing of his or her share award shares, (ii) the company will retain custody of the certificates and (iii) a participant must deliver a share power to the company for each share award.

Upon completion of this offering, we will issue an aggregate of common shares to persons who will become trustees upon completion of this offering. These grants to trustees will vest ratably over the first three anniversaries of the date of grant.

Share Appreciation Rights

The Equity Incentive Plan authorizes our Compensation Committee to grant share appreciation rights that provide the recipient with the right to receive, upon exercise of the share appreciation right, cash, common shares or a combination of the two. The amount that the recipient will receive upon exercise of the share appreciation right generally will equal the excess of the fair market value of the common shares on the date of exercise over the shares' fair market value on the date of grant. Share appreciation rights will become exercisable in accordance with terms determined by our Compensation Committee. Share appreciation rights may be granted in tandem with an option grant or independently from an option grant. The term of a share appreciation right cannot exceed ten years from the date of grant or five years in the case of a share appreciation right granted in tandem with an incentive share option awarded to a "ten percent shareholder."

Performance Units

The Equity Incentive Plan also authorizes our Compensation Committee to grant performance units. Performance units represent the participant's right to receive an amount, based on the value of the common shares, if performance goals established by the Compensation Committee are met. Our Compensation Committee will determine the applicable performance period, the performance goals and such other conditions that apply to the performance unit. Performance goals may relate to our financial performance or the financial performance of our operating partnership, the participant's performance or such other criteria determined by the Compensation Committee. If the performance goals are met, performance units will be paid in cash, our common shares or a combination thereof.

Other Equity-Based Awards

Our Compensation Committee may grant other types of share-based awards as equity-based awards under the Equity Incentive Plan, including Long-Term Incentive Plan, or LTIP, units. Other equity-based awards are payable in cash, our common shares or other equity, or a combination thereof, determined by the Compensation Committee. The terms and conditions of other equity-based awards are determined by the Compensation Committee.

LTIP units are a special class of partnership interests in our operating partnership. Each LTIP unit awarded will be deemed equivalent to an award of one common share under the Equity Incentive Plan, reducing availability for other equity awards on a one-for-one basis. We will not receive a tax deduction for the value of any LTIP units granted to our employees. The vesting period for any LTIP units, if any, will be determined at the time of issuance. LTIP units, whether vested or not, will receive the same quarterly per unit profit distributions as units of our operating partnership, which profit distribution will generally equal per share dividends on our common shares. This treatment with respect to quarterly distributions is similar to the expected treatment of our restricted share awards, which will generally receive full dividends whether vested or not. Initially, LTIP units will not have full parity with operating partnership units with respect to liquidating distributions. Under the terms of the LTIP units, our operating partnership will revalue its assets upon the occurrence of certain specified events, and any increase in valuation from the time of grant until such event will be allocated first to the holders of LTIP units to equalize the capital accounts of such holders with the capital accounts of operating partnership unit holders. Upon equalization of the capital accounts of the holders of LTIP units with the other holders of operating partnership units, the LTIP units will achieve full parity with operating partnership units for all purposes, including with respect to liquidating distributions. If such parity is reached, vested LTIP units may be converted into an equal number of operating partnership units at any time, and thereafter enjoy all the rights of operating partnership units, including exchange rights. However, there are circumstances under which such parity would not be reached. Until and unless such parity is reached, the value that an executive officer will realize for a given number of vested LTIP units will be less than the value of an equal number of our common shares.

Upon completion of this offering, we will cause our operating partnership to issue an aggregate of LTIP units to certain of our officers. These LTIP units will vest ratably over the first three anniversaries of the date of grant. See "Our Operating Partnership and the Partnership Agreement" for a further description of the rights of limited partners in our operating partnership.

Dividend Equivalents

Our Compensation Committee may grant dividend equivalents in connection with the grant of options, share appreciation rights and performance units. Dividend equivalents may be paid currently or accrued as contingent cash obligations (in which case they will be deemed to have been invested in common shares) and may be payable in cash, common shares or a combination of the two. Our Compensation Committee will determine the terms of any dividend equivalents.

Change in Control

If we experience a change in control, the Compensation Committee may, at its discretion, provide that all outstanding options, share appreciation rights, share awards, performance units, or

other equity based awards that are not exercised prior to the change in control will be assumed by the surviving entity, or will be replaced by a comparable substitute award of substantially equal value granted by the surviving entity. The Compensation Committee may also provide that (i) all outstanding options and share appreciation rights will be fully exercisable on the change in control, (ii) restrictions and conditions on outstanding share awards will lapse upon the change in control and (iii) performance units or equity-based awards will become earned in their entirety. The Compensation Committee may also provide that participants must surrender their outstanding options and share appreciation rights, share awards, performance units, and other equity based awards in exchange for a payment, in cash or our common shares or other securities or consideration received by shareholders in the change in control transaction, equal to the value received by shareholders in the change in control transaction (or, in the case of options and share appreciation rights, the amount by which that transaction value exceeds the exercise price).

In summary, a change of control under the Equity Incentive Plan occurs if:

- a person, entity or affiliated group (with certain exceptions) acquires, in a transaction or series of transactions, more than 50% of the total combined voting power of our outstanding securities or common shares;
- we merge into another entity unless the holders of our voting shares immediately prior to the merger have more than 50% of the combined voting power of the securities in the merged entity or its parent;
- we sell or dispose of all or substantially all of our assets;
- we are liquidated or dissolved; or
- during any period of two consecutive years individuals who, at the beginning of such period, constitute our board of trustees together with any new trustees (other than individuals who become trustees in connection with certain transactions or election contests) cease for any reason to constitute a majority of our board of trustees.

Amendment; Termination

Our board of trustees may amend or terminate the Equity Incentive Plan at any time, provided that no amendment may adversely impair the benefits of participants with outstanding awards. Our shareholders must approve any amendment if such approval is required under applicable law or stock exchange requirements. Our shareholders also must approve any amendment that materially increases the benefits accruing to participants under the Equity Incentive Plan, materially increases the aggregate number of common shares that may be issued under the Equity Incentive Plan or materially modifies the requirements as to eligibility for participation in the Equity Incentive Plan. Unless terminated sooner by our board of trustees or extended with shareholder approval, the Equity Incentive Plan will terminate on the day before the tenth anniversary of the date our board of trustees adopted the Equity Incentive Plan.

401(k) Plan

We may establish and maintain a retirement savings plan under section 401(k) of the Code to cover our eligible employees. The Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan. We may match employees' annual contributions, within prescribed limits.

INVESTMENT POLICIES AND POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of our investment policies and our policies with respect to certain other activities, including financing matters and conflicts of interest. These policies may be amended or revised from time to time at the discretion of our board of trustees, without a vote of our shareholders. Any change to any of these policies by our board of trustees, however, would be made only after a thorough review and analysis of that change, in light of then-existing business and other circumstances, and then only if, in the exercise of its business judgment, our board of trustees believes that it is advisable to do so in our and our shareholders' best interests. We cannot assure you that our investment objectives will be attained.

Investments in Real Estate or Interests in Real Estate

We plan to invest principally in hotel properties. We have entered into an agreement to acquire six hotels following closing of this offering, although we have not yet identified any other specific hotel properties to acquire or committed a substantial portion of the net proceeds of this offering to any other specific hotel property investment. Our senior executive officers will identify and negotiate acquisition opportunities. For information concerning the investing experience of these individuals, please see the section entitled "Management."

We intend to conduct substantially all of our investment activities through our operating partnership and its subsidiaries. Our primary investment objectives are to enhance shareholder value over time by generating strong returns on invested capital, paying distributions to our shareholders and achieving long-term appreciation in the value of our hotel properties.

There are no limitations on the amount or percentage of our total assets that may be invested in any one property. Additionally, no limits have been set on the concentration of investments in any one location or facility type.

Investments in Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Generally speaking, we do not expect to engage in any significant investment activities with other entities, although we may consider joint venture investments with other investors. We may also invest in the securities of other issuers in connection with acquisitions of indirect interests in properties. We may in the future acquire some, all or substantially all of the securities or assets of other REITs or similar entities where that investment would be consistent with our investment policies and the REIT qualification requirements. There are no limitations on the amount or percentage of our total assets that may be invested in any one issuer, other than those imposed by the gross income and asset tests that we must satisfy to qualify as a REIT. However, we do not anticipate investing in other issuers of securities for the purpose of exercising control or acquiring any investments primarily for sale in the ordinary course of business or holding any investments with a view to making short-term profits from their sale. In any event, we do not intend that our investments in securities will require us to register as an "investment company" under the Investment Company Act of 1940, as amended, and we intend to divest securities before any registration would be required.

We do not intend to engage in trading, underwriting, agency distribution or sales of securities of other issuers.

Disposition Policy

Although we have no current plans to dispose of any of the hotel properties we acquire, we will consider doing so, subject to REIT qualification and prohibited transaction rules under the Code, if our management determines that a sale of a property would be in our interests based on the price being offered for the hotel, the operating performance of the hotel, the tax consequences of the sale and other factors and circumstances surrounding the proposed sale. See "Risk Factors — Risks Related to Our Business."

Financing Policies

We plan to maintain a prudent capital structure and intend to limit our consolidated indebtedness to not more than 35% of our investment in hotel properties at cost (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges), measured at the time we incur debt, and a subsequent decrease in property values will not require us to repay debt. Our board of trustees will periodically review this policy and may modify or eliminate it without the approval of our shareholders. We intend to obtain a revolving credit facility for general business purposes, which may include the following:

- funding of investments (following investment of the net proceeds of this offering);
- payment of declared distributions to shareholders;
- working capital needs;
- payment of corporate taxes by our TRS lessees; or
- any other payments deemed necessary or desirable by senior management and approved by the lender.

We intend to have discussions with several lending institutions and negotiate a revolving credit facility. In seeking to obtain such a facility, we will consider factors as we deem relevant, including interest rate pricing, recurring fees, flexibility of funding, security required, maturity, restrictions on prepayment and refinancing, and restrictions impacting our daily operations. There can be no assurance that we will be able to obtain such a facility on favorable terms or at all.

Going forward, we will consider a number of factors when evaluating our level of indebtedness and making financial decisions, including, among others, the following:

- the interest rate of the proposed financing;
- the extent to which the financing impacts the flexibility with which we asset manage our properties;
- prepayment penalties and restrictions on refinancing;
- the purchase price of properties we acquire with debt financing;
- our long-term objectives with respect to the financing;
- our target investment returns;
- the ability of particular properties, and our company as a whole, to generate cash flow sufficient to cover expected debt service payments;
- overall level of consolidated indebtedness;
- timing of debt and lease maturities;
- provisions that require recourse and cross-collateralization;
- corporate credit ratios, including debt service or fixed charge coverage, debt to earnings before interest, taxes, depreciation and amortization, or EBITDA, debt to total market capitalization and debt to undepreciated assets; and
- the overall ratio of fixed- and variable-rate debt.

Equity Capital Policies

Subject to applicable law and the requirements for listed companies on the NYSE, our board of trustees has the authority, without further shareholder approval, to issue additional authorized common shares and preferred shares or otherwise raise capital, including through the issuance of senior securities, in any manner and on the terms and for the consideration it deems appropriate,

including in exchange for property. Existing shareholders will have no preemptive right to additional shares issued in any offering, and any offering might cause a dilution of investment. We may in the future issue common shares in connection with acquisitions. We also may issue limited partnership interests in our operating partnership in connection with acquisitions of property.

Our board of trustees may authorize the issuance of preferred shares with terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control of our company that might involve a premium price for holders of our common shares or otherwise might be in their best interests. Additionally, preferred shares could have distribution, voting, liquidation and other rights and preferences that are senior to those of our common shares.

We may, under certain circumstances, purchase common or preferred shares in the open market or in private transactions with our shareholders, if those purchases are approved by our board of trustees. Our board of trustees has no present intention of causing us to repurchase any shares, and any action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualifying as a REIT.

In the future, we may institute a dividend reinvestment plan, or DRIP, which would allow our shareholders to acquire additional common shares by automatically reinvesting their cash dividends. Shares would be acquired pursuant to the plan at a price equal to the then prevailing market price, without payment of brokerage commissions or service charges. Shareholders who do not participate in the plan will continue to receive cash distributions as declared.

Conflict of Interest Policy

Our current board of trustees consists solely of Mr. Fisher, and, as a result, the transactions and agreements entered into in connection with our formation prior to this offering have not been approved by any independent trustees.

Effective upon closing of this offering, we intend to adopt policies to reduce potential conflicts of interest. Generally, we expect that our policy will provide that any transaction, agreement or relationship in which any of our trustees, officers or employees has an interest must be approved by a majority of our disinterested trustees. However, we cannot assure you that these policies will be successful in eliminating the influence of these conflicts. See “Risk Factors.”

Reporting Policies

Generally, we intend to make available to our shareholders audited annual financial statements and annual reports. After the completion of this offering, we will become subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Pursuant to these requirements, we will file periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of common shares by (i) each of our trustees and persons who have agreed to become trustees upon completion of this offering, (ii) each of our executive officers, (iii) each holder of 5% or more of each class of our shares and (iv) all of our trustees and executive officers as a group upon completion of this offering and the concurrent private placement. Unless otherwise indicated, all shares are owned directly and the indicated person has sole voting and investment power. In accordance with SEC rules, each listed person's beneficial ownership includes:

- all shares the person actually owns beneficially or of record;
- all shares over which the person has or shares voting or dispositive control (such as in the capacity as a general partner of an investment fund); and
- all shares the person has the right to acquire within 60 days (such as restricted common shares that are currently vested or which are scheduled to vest within 60 days).

Unless otherwise indicated, the address of each named person is 50 Cocoanut Row, Suite 200, Palm Beach, Florida 33480. No shares beneficially owned by any executive officer or trustee have been pledged as security.

Name of beneficial owner	Common Shares Beneficially Owned	Percent of Class
Jeffrey H. Fisher	(1)	%
Peter Willis	(2)	
Miles Berger	(3)	
Thomas J. Crocker	(3)	
Jack P. DeBoer	(3)	
C. Gerald Goldsmith	(3)	
Rolf E. Ruhfus	(3)	
Joel F. Zemans	(3)	
All executive officers and trustees as a group	(1)(4)	%

(1) Represents shares purchased by Mr. Fisher in a private placement concurrent with the closing of this offering. Mr. Fisher acquired 1,000 common shares in connection with the formation and initial capitalization of the company, which shares we will repurchase at his cost of $10,000 upon completion of this offering. Does not reflect 1,000 common shares acquired by Mr. Fisher in connection with our formation and does not include common shares underlying LTIP units to be granted to Mr. Fisher upon completion of this offering pursuant to our Equity Incentive Plan.

(2) Does not include common shares underlying LTIP units to be granted to Mr. Willis upon completion of this offering pursuant to our Equity Incentive Plan. The LTIP units will vest ratably over the first anniversaries of the date of the grant.

(3) Represents common shares to be granted to each independent trustee upon completion of this offering, which shares will vest ratably over the first three anniversaries of the date of grant.

(4) Includes an aggregate of common shares to be granted to each independent trustee upon completion of this offering, which shares will vest ratably over the first three anniversaries of the date of grant. We currently have outstanding common shares, all of which are owned by our President and Chief Executive Officer, Mr. Fisher. Upon completion of this offering, we will repurchase all common shares from Mr. Fisher at his cost of $ per share. Does not include an aggregate of shares underlying LTIP units granted to our officers pursuant to the Equity Incentive Plan.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Concurrently with this offering, in a separate private placement, we will sell an aggregate of common shares (representing % of the common shares to be outstanding following this offering, excluding common shares that may be sold pursuant to the underwriters' overallotment option) to Mr. Fisher, our chairman, chief executive officer and president, at a price per share equal to the initial public offering price per share and without payment of any underwriting discount or commission by us. We will use approximately $ of the net proceeds from this offering and the concurrent private placement to reimburse Mr. Fisher for out-of-pocket expenses he incurred in connection with our formation and this offering, including up to $2.5 million Mr. Fisher funded as earnest money deposits, as required by the purchase agreement for the initial acquisition hotels. We will also use $10,000 to repurchase the shares Mr. Fisher acquired in connection with the formation and our initial capitalization.

Upon completion of this offering, we will cause our operating partnership to issue an aggregate of LTIP units to certain of our officers, including LTIP units to Mr. Fisher and LTIP units to Mr. Willis. These LTIP units will vest ratably over the first anniversaries of the date of grant.

We also expect to enter into indemnification agreements with our trustees and our executive officers providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us.

Certain of the hotels we expect to acquire in the future may be managed by IHM, which is 90% owned by Mr. Fisher. Any management agreements with IHM will have an initial term of five years and could be renewed for two five-year periods at the option of IHM. Management agreements with IHM will provide for a base management fee of 3% of gross revenues, an accounting fee of $1,000 per month per hotel and 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 will be capped at 1% of gross hotel revenues.

The management agreements will provide generally for a termination fee to be paid to IHM upon certain terminations of a management agreement, including in connection with the sale of the related hotel. The termination fee will be equal to 2.0x the base management fees and incentive management fees paid to IHM over the trailing twelve-month period if the agreement is terminated in the first year of its initial term, decreasing in 0.5x increments annually until the fourth year of the agreement's initial term, after which no termination fee will be payable to IHM upon termination of the agreement. Termination of the management agreements for reasons other than cause will require six months' advance notice. If hotel operating performance does not meet specified levels, we will be able to terminate the management agreements without payment of any termination fee.

Because Mr. Fisher is our Chairman, President and Chief Executive Officer and controls IHM, conflicts of interest will exist between Mr. Fisher and us regarding:

- enforcement of the terms of any management agreements between us and IHM;
- whether and on what terms these management agreements will be renewed upon the expiration;
- whether and on what terms management contracts will be awarded to IHM;
- whether hotel properties will be sold; and

Under the hotel management agreements, IHM generally will be responsible for complying with our various franchise agreements, subject to us making sufficient funding available. Conflicts of

interest will exist between us and Mr. Fisher regarding IHM's compliance with franchise agreements, which could result in:

- the termination of those agreements and related substantial penalties; or
- other actions or failures to act by IHM that could result in liability to us or our TRS lessees.

We will share our corporate information technology infrastructure with IHM. We and IHM will agree to a cost sharing arrangement under which each of us bears % of the total costs of operating and maintaining the IT function (including depreciation taken by us on the IT infrastructure).

IHM will be required to obtain an employee practices liability insurance policy that covers our employees. In addition, IHM will be required to maintain a health benefit plan in which our employees will participate. Our reimbursement of IHM will be based on the number of our employees participating in the plan and the coverage and benefit levels selected by those employees.

Conflicts may arise between us and IHM with respect to whether certain expenditures are classified as capital expenditures, which are capitalized by us and do not immediately affect earnings, or repairs and maintenance, which are expensed as incurred and therefore reduce the amount available to be earned by IHM as incentive management fees.

From time to time in connection with certain acquisitions and dispositions or other transactions, we may engage a brokerage firm with which Mr. Fisher's daughter is employed.

DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

Although the following summary describes the material terms of our shares of beneficial interest, it is not a complete description of the Maryland REIT Law, or the MRL, the Maryland General Corporate Law, or MGCL, provisions applicable to a Maryland REIT or our declaration of trust and bylaws as they will be in effect upon the completion of this offering, copies of which are filed as exhibits to the registration statement of which this prospectus is a part. See “Where You Can Find More Information.”

General

Our declaration of trust provides that we may issue up to common shares, $0.01 par value per share, and preferred shares of beneficial interest, $0.01 par value per share, or preferred shares. We issued 1,000 common shares in connection with our initial capitalization. Upon completion of this offering, we will repurchase these shares. Our declaration of trust authorizes our board of trustees to amend our declaration of trust to increase or decrease the aggregate number of authorized shares or the number of shares of any class or series without shareholder approval. Upon completion of this offering and the concurrent private placement, common shares will be issued and outstanding on a fully diluted basis, including restricted common shares to be granted to our trustees under our Equity Incentive Plan upon completion of this offering, or common shares if the underwriters’ overallotment option is exercised in full, and no preferred shares will be issued and outstanding. Our Equity Incentive Plan provides for grants of equity based awards up to an aggregate of % of our issued and outstanding common shares (on a fully diluted basis and including shares to be sold pursuant to the underwriters’ exercise of their overallotment option) at the time of the award.

Under Maryland law, shareholders are not personally liable for the obligations of a REIT solely as a result of their status as shareholders.

Common Shares

All of the common shares offered in this offering will be duly authorized, fully paid and nonassessable. Subject to the preferential rights, if any, of holders of any other class or series of shares of beneficial interest and to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of shares of beneficial interest, holders of our common shares are entitled to receive distributions on such shares of beneficial interest out of assets legally available therefore if, as and when authorized by our board of trustees and declared by us, and the holders of our common shares are entitled to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all of our known debts and liabilities.

Subject to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of common shares of beneficial interest and except as may otherwise be specified in the terms of any class or series of common shares, each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees, and, except as provided with respect to any other class or series of shares of beneficial interest, the holders of such common shares will possess the exclusive voting power. There is no cumulative voting in the election of our trustees, which means that the shareholders entitled to cast a majority of the votes entitled to be cast in the election of trustees can elect all of the trustees then standing for election, and the remaining shareholders will not be able to elect any trustees.

Holders of common shares have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to the restrictions on ownership and transfer of shares contained in our declaration of trust and the terms of any other class or series of common shares, all of our common shares will have equal dividend, liquidation and other rights.

Power to Reclassify Our Unissued Shares of Beneficial Interest

Our declaration of trust authorizes our board of trustees to classify and reclassify any unissued common or preferred shares into other classes or series of shares of beneficial interest. Prior to the issuance of shares of each class or series, our board of trustees is required by Maryland law and by our declaration of trust to set, subject to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of shares of beneficial interest, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Therefore, our board could authorize the issuance of common shares or preferred shares that have priority over our common shares as to voting rights, dividends or upon liquidation or with terms and conditions that could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for our common shares or otherwise be in the best interests of our shareholders. No preferred shares are presently outstanding, and we have no present plans to issue any preferred shares.

Power to Increase or Decrease Authorized Shares of Beneficial Interest and Issue Additional Common Shares and Preferred Shares

We believe that the power of our board of trustees to amend our declaration of trust to increase or decrease the number of authorized shares of beneficial interest, to authorize us to issue additional authorized but unissued common shares or preferred shares and to classify or reclassify unissued common shares or preferred shares and thereafter to issue such classified or reclassified shares of beneficial interest will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the common shares, will be available for issuance without further action by our shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of trustees does not intend to do so, it could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a change in control or other transaction that might involve a premium price for our common shares or otherwise be in the best interests of our shareholders.

Restrictions on Ownership and Transfer

For us to qualify as a REIT under the Code, our shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Because our board of trustees believes it is at present essential for us to qualify as a REIT, our declaration of trust, subject to certain exceptions, restricts the amount of our shares of beneficial interest that a person may beneficially or constructively own. Our declaration of trust provides that, subject to certain exceptions, no person may beneficially or constructively own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares of beneficial interest.

Our declaration of trust also prohibits any person from (i) beneficially owning shares of beneficial interest to the extent that such beneficial ownership would result in our being “closely held” within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of the taxable year), (ii) transferring our shares of beneficial interest to the extent that such transfer would result in our shares of beneficial interest being beneficially owned by less than 100 persons (determined under the principles of Section 856(a)(5) of the Code),

(iii) beneficially or constructively owning our shares of beneficial interest to the extent such beneficial or constructive ownership would cause us to constructively own ten percent or more of the ownership interests in a tenant (other than a TRS) of our real property within the meaning of Section 856(d)(2)(B) of the Code or (iv) beneficially or constructively owning or transferring our shares of beneficial interest if such ownership or transfer would otherwise cause us to fail to qualify as a REIT under the Code, including, but not limited to, as a result of any hotel management companies failing to qualify as “eligible independent contractors” under the REIT rules. Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of our shares of beneficial interest that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned our shares of beneficial interest that resulted in a transfer of shares to a charitable trust, is required to give written notice immediately to us, or in the case of a proposed or attempted transaction, to give at least 15 days’ prior written notice, and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing restrictions on transferability and ownership will not apply if our board of trustees determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Our board of trustees, in its sole discretion, may prospectively or retroactively exempt a person from certain of the limits described in the paragraph above and may establish or increase an excepted holder percentage limit for such person. The person seeking an exemption must provide to our board of trustees any such representations, covenants and undertakings as our board of trustees may deem appropriate in order to conclude that granting the exemption will not cause us to lose our status as a REIT. Our board of trustees may not grant such an exemption to any person if such exemption would result in our failing to qualify as a REIT. Our board of trustees may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the board of trustees, in its sole discretion, in order to determine or ensure our status as a REIT.

Any attempted transfer of our shares of beneficial interest which, if effective, would violate any of the restrictions described above will result in the number of shares causing the violation (rounded up to the nearest whole share) to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, except that any transfer that results in the violation of the restriction relating to our shares of beneficial interest being beneficially owned by fewer than 100 persons will be void ab initio. In either case, the proposed transferee will not acquire any rights in such shares. The automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of the purported transfer or other event that results in the transfer to the trust. Shares held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares held in the trust, will have no rights to dividends or other distributions and will have no rights to vote or other rights attributable to the shares held in the trust. The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to our discovery that shares have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any distribution authorized but unpaid will be paid when due to the trustee. Any dividend or other distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, the trustee will have the authority (i) to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and (ii) to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of beneficial interest have been transferred to the trust, the trustee will sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership and transfer limitations. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute

the net proceeds of the sale to the proposed transferee and to the charitable beneficiary as follows. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other similar transaction), the market price (as defined in our declaration of trust) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price received by the trustee (net of any commission and other expenses of sale) from the sale or other disposition of the shares. The trustee may reduce the amount payable to the proposed transferee by the amount of dividends or other distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. Any net sale proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the charitable beneficiary. If, prior to our discovery that our shares have been transferred to the trust, the shares are sold by the proposed transferee, then (i) the shares shall be deemed to have been sold on behalf of the trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount he or she was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares of beneficial interest held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market price at the time of the devise or gift) and (ii) the market price on the date we, or our designee, accept the offer, which we may reduce by the amount of dividends and distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee.

If a transfer to a charitable trust, as described above, would be ineffective for any reason to prevent a violation of a restriction, the transfer that would have resulted in such violation will be void ab initio, and the proposed transferee shall acquire no rights in such shares.

Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) of our shares of beneficial interest, within 30 days after the end of each taxable year, is required to give us written notice, stating his or her name and address, the number of shares of each class and series of our shares of beneficial interest that he or she beneficially owns and a description of the manner in which the shares are held. Each such owner will provide us with such additional information as we may request in order to determine the effect, if any, of his or her beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, each shareholder will upon demand be required to provide us with such information as we may request in good faith in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These ownership limitations could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders.

Stock Exchange Listing

We expect to apply for listing of our common shares on the NYSE under the symbol "   ."

Transfer Agent and Registrar

We expect the transfer agent and registrar for our common shares to be   .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common shares. We cannot predict the effect, if any, that sales of common shares or the availability of shares for sale will have on the market price of our common shares prevailing from time to time. Sales of substantial amounts of our common shares in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of our common shares.

Upon completion of this offering, we will have common shares outstanding, including the common shares sold in this offering, the common shares sold to Mr. Fisher in a private placement concurrent with the closing of this offering, and restricted common shares to be granted to our trustees under our Equity Incentive Plan, or an aggregate of common shares outstanding if the underwriters' overallotment option is exercised in full. Our Equity Incentive Plan provides for grants of equity based awards up to an aggregate of % of our issued and outstanding common shares (on a fully diluted basis and including shares to be sold pursuant to the underwriters' exercise of their overallotment option).

No assurance can be given as to the likelihood that an active trading market for our common shares will develop or be maintained, that any such market will be liquid, that shareholders will be able to sell the common shares when issued or at all or the prices that shareholders may obtain for any of the common shares. No prediction can be made as to the effect, if any, that future issuances of common shares or the availability of common shares for future issuances will have on the market price of our common shares prevailing from time to time, issuances of substantial amounts of common shares, or the perception that such issuances could occur, may affect adversely the prevailing market price of our common shares. See "Risk Factors — Risks Related to This Offering."

The common shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, unless the shares are held by any of our "affiliates," as that term is defined in Rule 144 under the Securities Act. As defined in Rule 144, an "affiliate" of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the issuer.

Rule 144

The shares issued to Mr. Fisher will be restricted shares as defined in Rule 144.

In general, Rule 144 provides that if (i) one year has elapsed since the date of acquisition of common shares from us or any of our affiliates and (ii) the holder is not, and has not been, an affiliate of ours at any time during the three months preceding the proposed sale, such holder may sell such common shares in the public market under Rule 144(b)(1) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements under such rule. In general, Rule 144 also provides that if (i) six months have elapsed since the date of acquisition of common shares from us or any of our affiliates, (ii) we have been a reporting company under the Exchange Act for at least 90 days and (iii) the holder is not, and has not been, an affiliate of ours at any time during the three months preceding the proposed sale, such holder may sell such common shares in the public market under Rule 144(b)(1) subject to satisfaction of Rule 144's public information requirements, but without regard to the volume limitations, manner of sale provisions or notice requirements under such rule.

In addition, under Rule 144, if (i) one year (or, subject to us being a reporting company under the Exchange Act for at least the preceding 90 days, six months) has elapsed since the date of acquisition of common shares from us or any of our affiliates and (ii) the holder is, or has been, an affiliate of ours at any time during the three months preceding the proposed sale, such holder may sell such common shares in the public market under Rule 144(b)(1) subject to satisfaction of Rule 144's volume limitations, manner of sale provisions, public information requirements and notice requirements.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares for at least one year would be entitled to sell, within any three-month period, that number of shares that does not exceed the greater of:

- 1% of the common shares outstanding, which will equal approximately common shares immediately after this offering; or
- the average weekly trading volume of our common shares on the NYSE during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Following completion of this offering, we intend to file a registration statement on Form S-8 to register the total number of common shares that may be issued under our Equity Incentive Plan.

Lock-Up Agreements

In addition to the limitations placed on the sale of our common shares by operation of the Securities Act, we and all of our trustees and executive officers have agreed with the underwriters, subject to certain exceptions, not to sell or otherwise transfer their shares, or any securities convertible into our common shares, for a period of 180 days after the date of this prospectus without the underwriters' prior written consent. The lock-up agreements signed by us, our trustees and executive officers cover approximately common shares.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR DECLARATION OF TRUST AND BYLAWS

Although the following summary describes certain provisions of Maryland law and of our declaration of trust and bylaws as they will be in effect upon the completion of this offering, it is not a complete description of Maryland law and our declaration of trust and bylaws, copies of which are available from us upon request. See "Where You Can Find More Information."

Number of Trustees; Vacancies

Our declaration of trust and bylaws provide that the number of our trustees may be established by our board of trustees but may not be more than 15. Our declaration of trust also provides that, at such time as we have at least three independent trustees and a class of our common shares or preferred shares is registered under the Exchange Act, we elect to be subject to the provision of Subtitle 8 of Title 3 of the MGCL regarding the filling of vacancies on our board of trustees. Accordingly, at such time, except as may be provided by our board of trustees in setting the terms of any class or series of shares, any and all vacancies on our board of trustees may be filled only by the affirmative vote of a majority of the remaining trustees in office, even if the remaining trustees do not constitute a quorum, and any individual elected to fill such vacancy will serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is duly elected and qualifies.

Each of our trustees will be elected by our shareholders to serve for a one-year term and until his or her successor is duly elected and qualifies. A plurality of all votes cast on the matter at a meeting of shareholders at which a quorum is present is sufficient to elect a trustee. The presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at a meeting constitutes a quorum.

Removal of Trustees

Our declaration of trust provides that, subject to the rights of holders of any series of preferred shares, a trustee may be removed only for "cause," and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of trustees. For this purpose, "cause" means, with respect to any particular trustee, conviction of a felony or a final judgment of a court of competent jurisdiction holding that such trustee caused demonstrable, material harm to us through bad faith or active and deliberate dishonesty. These provisions, when coupled with the exclusive power of our board of trustees to fill vacancies on our board of trustees, generally precludes shareholders from removing incumbent trustees except for "cause" and with a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Policy on Majority Voting

Our board of trustees will adopt a policy regarding the election of trustees in uncontested elections. Pursuant to such policy, in an uncontested election of trustees, any nominee who receives a greater number of votes affirmatively withheld from his or her election than votes for his or her election will, within two weeks following certification of the shareholder vote by our company, submit a written resignation offer to our board of trustees for consideration by our Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee will consider the resignation offer and, within 60 days following certification by our company of the shareholder vote with respect to such election, will make a recommendation to our board of trustees concerning the acceptance or rejection of the resignation offer. Our board of trustees will take formal action on the recommendation no later than 90 days following certification of the shareholder vote by our company. We will publicly disclose the decision of our board of trustees. Our board of trustees will also provide an explanation of the process by which the decision was made and, if applicable, its reason or reasons for rejecting the tendered resignation.

Business Combinations

Under certain provisions of the MGCL applicable to Maryland REITs, certain "business combinations," including a merger, consolidation, share exchange or, in certain circumstances, an asset

transfer or issuance or reclassification of equity securities, between a Maryland REIT and an “interested shareholder” or, generally, any person who beneficially owns 10% or more of the voting power of the REIT’s outstanding voting shares or an affiliate or associate of the REIT who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting shares of beneficial interest of the REIT, or an affiliate of such an interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. Thereafter, any such business combination must be recommended by the board of trustees of such REIT and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the REIT and (b) two-thirds of the votes entitled to be cast by holders of voting shares of beneficial interest of the REIT other than shares held by the interested shareholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested shareholder, unless, among other conditions, the REIT’s shareholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares. Under the MGCL, a person is not an “interested shareholder” if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder. A REIT’s board of trustees may provide that its approval is subject to compliance with any terms and conditions determined by it.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of trustees prior to the time that the interested shareholder becomes an interested shareholder. Pursuant to the statute, our board of trustees has by resolution exempted business combinations between us and any other person from these provisions of the MGCL, provided that the business combination is first approved by our board of trustees, including a majority of trustees who are not affiliates or associates of such person, and, consequently, the five year prohibition and the supermajority vote requirements will not apply to such business combinations. As a result, any person may be able to enter into business combinations with us that may not be in the best interests of our shareholders without compliance by us with the supermajority vote requirements and other provisions of the statute. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our board of trustees does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

The MGCL provides that “control shares” of a Maryland REIT acquired in a “control share acquisition” have no voting rights except to the extent approved by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of beneficial interest in a REIT in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of such shares in the election of trustees: (1) a person who makes or proposes to make a control share acquisition, (2) an officer of the REIT or (3) an employee of the REIT who is also a trustee of the REIT. “Control shares” are voting shares which, if aggregated with all other such shares owned by the acquirer, or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing trustees within one of the following ranges of voting power: (A) one-tenth or more but less than one-third, (B) one-third or more but less than a majority or (C) a majority or more of all voting power. Control shares do not include shares that the acquirer is then entitled to vote as a result of having previously obtained shareholder approval. A “control share acquisition” means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of trustees to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the REIT may itself present the question at any shareholders’ meeting.

If voting rights are not approved at the meeting or if the acquirer does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the REIT may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of shareholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a shareholders' meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to (a) shares acquired in a merger, consolidation or share exchange if the REIT is a party to the transaction or (b) acquisitions approved or exempted by the declaration of trust or bylaws of the REIT.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. There is no assurance that such provision will not be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland REIT with a class of equity securities registered under the Exchange Act and at least three independent trustees to elect to be subject, by provision in its declaration of trust or bylaws or a resolution of its board of trustees and notwithstanding any contrary provision in the declaration of trust or bylaws, to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement for removing a trustee;
- a requirement that the number of trustees be fixed only by vote of the trustees;
- a requirement that a vacancy on the board be filled only by the remaining trustees and for the remainder of the full term of the class of trustees in which the vacancy occurred; and
- a majority requirement for the calling of a special meeting of shareholders.

Our declaration of trust provides that, at such time as we are eligible to make a Subtitle 8 election, we elect to be subject to the provision of Subtitle 8 that requires that vacancies on our board may be filled only by the remaining trustees and for the remainder of the full term of the trusteeship in which the vacancy occurred. Through provisions in our declaration of trust and bylaws unrelated to Subtitle 8, we already (1) require the affirmative vote of the holders of not less than two-thirds of all of the votes entitled to be cast on the matter for the removal of any trustee from the board, which removal will be allowed only for cause, (2) vest in the board the exclusive power to fix the number of trusteeships, (3) require that a vacancy on the board be filled only by the remaining trustees and (4) require, unless called by our chairman, chief executive officer, president or the board of trustees, the request of shareholders entitled to cast not less than a majority of the votes entitled to be cast at such meeting to call a special meeting of shareholders.

Meetings of Shareholders

Pursuant to our declaration of trust and bylaws, a meeting of our shareholders for the purpose of the election of trustees and the transaction of any business will be held annually on a date and at the time and place set by our board of trustees. In addition, our chairman, chief executive officer, president or board of trustees may call a special meeting of our shareholders.

Mergers; Extraordinary Transactions

Under the MRL, a Maryland REIT generally cannot merge with another entity unless advised by its board of trustees and approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the trust's declaration of trust. Our declaration of trust provides that these mergers may be approved by a majority of all of the votes entitled to be cast on the matter. Our declaration of trust also provides that we may sell or transfer all or substantially all of our assets if approved by our board of trustees and by the affirmative vote of a majority of all the votes entitled to be cast on the matter. However, many of our operating assets will be held by our subsidiaries, and these subsidiaries may be able to sell all or substantially all of their assets or merge with another entity without the approval of our shareholders.

Amendment to Our Declaration of Trust and Bylaws

Under the MRL, a Maryland REIT generally cannot amend its declaration of trust unless advised by its board of trustees and approved by the affirmative vote of shareholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a different percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the trust's declaration of trust.

Except for amendments to the provisions of our declaration of trust related to the removal of trustees and the vote required to amend the provision regarding amendments to the removal provisions itself (each of which require the affirmative vote of the holders of not less than two-thirds of all the votes entitled to be cast on the matter) and certain amendments described in our declaration of trust that require only approval by our board of trustees, our declaration of trust may be amended only with the approval of our board of trustees and the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

Our board of trustees has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Our Termination

Our declaration of trust provides for us to have a perpetual existence. Our termination must be approved by a majority of our entire board of trustees and the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

Advance Notice of Trustee Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of shareholders, nominations of individuals for election to our board of trustees at an annual meeting and the proposal of business to be considered by shareholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of trustees or (3) by a shareholder of record at the time of giving notice and who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in our bylaws. Our bylaws currently require the shareholder generally to provide notice to the secretary containing the information required by our bylaws not less than 120 days nor more than 150 days prior to the first anniversary of the date of our proxy statement for the solicitation of proxies for election of trustees at the preceding year's annual meeting (or, if we did not mail a proxy statement for the preceding year's annual meeting, the date of the notice of the preceding year's annual meeting).

With respect to special meetings of shareholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of trustees at a special meeting may be made only (1) by or at the direction of our board of trustees or (2) provided that our board of trustees has determined that trustees will be elected at such meeting, by a shareholder of record at the time of giving notice and who is entitled to vote at the meeting in the election of each individual so nominated and has complied with the advance notice provisions set forth in our bylaws. Such shareholder may nominate one or more individuals, as the case may be, for

election as a trustee if the shareholder's notice containing the information required by our bylaws is delivered to the secretary not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., eastern time, on the later of (1) the 90th day prior to such special meeting or (2) the tenth day following the day on which public announcement is first made of the date of the special meeting and the proposed nominees of our board of trustees to be elected at the meeting.

Anti-takeover Effect of Certain Provisions of Maryland Law and of Our Declaration of Trust and Bylaws

If the applicable exemption in our bylaws is repealed and the applicable resolution of our board of trustees is repealed, the control share acquisition provisions and the business combination provisions of the MGCL, respectively, as well as the provisions in our declaration of trust and bylaws, as applicable, on removal of trustees and the filling of trustee vacancies and the restrictions on ownership and transfer of shares of beneficial interest, together with the advance notice and shareholder-requested special meeting provisions of our bylaws, alone or in combination, could serve to delay, deter or prevent a transaction or a change in our control that might involve a premium price for holders of our common shares or otherwise be in their best interests.

Indemnification and Limitation of Trustees' and Officers' Liability

Maryland law permits a Maryland REIT to include in its declaration of trust a provision limiting the liability of its trustees and officers to the REIT and its shareholders for money damages except for liability resulting from:

- actual receipt of an improper benefit in money, property or services, or
- active or deliberate dishonesty established by a final judgment as being material to the cause of action.

Our declaration of trust contains a provision which limits the liability of our trustees and officers to the maximum extent permitted by Maryland law.

Our declaration of trust also authorizes us, and our bylaws require us, to the maximum extent permitted by Maryland law, to indemnify (i) any present or former trustee or officer or (ii) any individual who, while serving as our trustee or officer and at our request, serves or has served as a trustee, director, officer, partner, member, manager, employee or agent of another REIT, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in such capacity or capacities, and to pay or reimburse his or her reasonable expenses in advance of final disposition of such a proceeding. Upon completion of this offering, we expect to enter into indemnification agreements with each of our trustees and executive officers that provide for indemnification to the maximum extent permitted by Maryland law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us.

REIT Qualification

Our declaration of trust provides that our board of trustees may revoke or otherwise terminate our REIT election, without approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT.

OUR OPERATING PARTNERSHIP AND THE PARTNERSHIP AGREEMENT

The following summary of the terms of the agreement of limited partnership of our operating partnership that will be in effect upon completion of this offering does not purport to be complete and is subject to and qualified in its entirety by reference to the Agreement of Limited Partnership of Chatham Lodging, L.P., a copy of which is an exhibit to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

Management

We will be the sole general partner of our operating partnership, which we will organize as a Delaware limited partnership. We will conduct substantially all of our operations and make substantially all of our investments through the operating partnership. Pursuant to the partnership agreement, we will have full, exclusive and complete responsibility and discretion in the management and control of the operating partnership, including the ability to cause the operating partnership to enter into certain major transactions including acquisitions, dispositions, refinancings and selection of lessees, make distributions to partners, and to cause changes in the operating partnership's business activities.

Transferability of Interests

We may not voluntarily withdraw from the operating partnership or transfer or assign our interest in the operating partnership or engage in any merger, consolidation or other combination, or sale of all or substantially all of our assets in a transaction which results in a change of control of our company unless:

- we receive the consent of limited partners holding more than 50% of the partnership interests of the limited partners (other than those held by our company or its subsidiaries);
- as a result of such transaction, all limited partners will receive for each partnership unit an amount of cash, securities or other property equal in value to the greatest amount of cash, securities or other property paid in the transaction to a holder of one of our common shares, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding common shares, each holder of partnership units shall be given the option to exchange its partnership units for the greatest amount of cash, securities or other property that a limited partner would have received had it (A) exercised its redemption right (described below) and (B) sold, tendered or exchanged pursuant to the offer common shares received upon exercise of the redemption right immediately prior to the expiration of the offer; or
- we are the surviving entity in the transaction and either (A) our shareholders do not receive cash, securities or other property in the transaction or (B) all limited partners (other than our company or our subsidiaries) receive for each partnership unit an amount of cash, securities or other property having a value that is no less than the greatest amount of cash, securities or other property received in the transaction by our shareholders.

We also may merge with or into or consolidate with another entity if immediately after such merger or consolidation (i) substantially all of the assets of the successor or surviving entity, other than partnership units held by us, are contributed, directly or indirectly, to the partnership as a capital contribution in exchange for partnership units with a fair market value equal to the value of the assets so contributed as determined by the survivor in good faith and (ii) the survivor expressly agrees to assume all of our obligations under the partnership agreement and the partnership agreement shall be amended after any such merger or consolidation so as to arrive at a new method of calculating the amounts payable upon exercise of the redemption right that approximates the existing method for such calculation as closely as reasonably possible.

We also may (i) transfer all or any portion of our general partnership interest to (A) a wholly owned subsidiary or (B) a parent company, and following such transfer may withdraw as the general partner and (ii) engage in a transaction required by law or by the rules of any national securities exchange on which our common shares are listed.

Capital Contribution

We will contribute, directly, to our operating partnership substantially all of the net proceeds of this offering as our initial capital contribution in exchange for substantially all of the limited partnership interests in our operating partnership. The partnership agreement provides that if the operating partnership requires additional funds at any time in excess of funds available to the operating partnership from borrowing or capital contributions, we may borrow such funds from a financial institution or other lender and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds. Under the partnership agreement, we are obligated to contribute the net proceeds of any future offering of shares as additional capital to the operating partnership. If we contribute additional capital to the operating partnership, we will receive additional partnership units and our percentage interest will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of the limited partners will be decreased on a proportionate basis in the event of additional capital contributions by us. In addition, if we contribute additional capital to the operating partnership, we will revalue the property of the operating partnership to its fair market value (as determined by us) and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property (that has not been reflected in the capital accounts previously) would be allocated among the partners under the terms of the partnership agreement if there were a taxable disposition of such property for its fair market value (as determined by us) on the date of the revaluation. The operating partnership may issue preferred partnership interests, in connection with acquisitions of property or otherwise, which could have priority over common partnership interests with respect to distributions from the operating partnership, including the partnership interests we own as the general partner.

Redemption Rights

Pursuant to the partnership agreement, any future limited partners, other than us, will receive redemption rights, which will enable them to cause the operating partnership to redeem their limited partnership interests in exchange for cash or, at our option, common shares on a one-for-one basis. The cash redemption amount per unit is based on the market price of our common shares at the time of redemption. The number of common shares issuable upon redemption of limited partnership interests held by limited partners may be adjusted upon the occurrence of certain events such as share dividends, share subdivisions or combinations. We expect to fund any cash redemptions out of available cash or borrowings. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption rights if the delivery of common shares to the redeeming limited partner would:

- result in any person owning, directly or indirectly, common shares in excess of the share ownership limit in our declaration of trust;
- result in our common shares being owned by fewer than 100 persons (determined without reference to any rules of attribution);
- result in our being “closely held” within the meaning of Section 856(h) of the Code;
- cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant (other than a TRS) of ours, the operating partnership’s or a subsidiary partnership’s real property, within the meaning of Section 856(d)(2)(B) of the Code;

- cause us to fail to qualify as a REIT under the Code, including, but not limited to, as a result of any hotel management company failing to qualify as an eligible independent contractor under the Code; or
- cause the acquisition of common shares by such redeeming limited partner to be “integrated” with any other distribution of common shares for purposes of complying with the registration provisions of the Securities Act.

We may, in our sole and absolute discretion, waive any of these restrictions.

The partnership agreement will require that the operating partnership be operated in a manner that enables us to satisfy the requirements for being classified as a REIT, to avoid any federal income or excise tax liability imposed by the Code (other than any federal income tax liability associated with our retained capital gains) and to ensure that the partnership will not be classified as a “publicly traded partnership” taxable as a corporation under Section 7704 of the Code.

In addition to the administrative and operating costs and expenses incurred by the operating partnership, the operating partnership generally will pay all of our administrative costs and expenses, including:

- all expenses relating to our continuity of existence and our subsidiaries’ operations;
- all expenses relating to offerings and registration of securities;
- all expenses associated with the preparation and filing of any of our periodic or other reports and communications under federal, state or local laws or regulations;
- all expenses associated with our compliance with laws, rules and regulations promulgated by any regulatory body; and
- all of our other operating or administrative costs incurred in the ordinary course of business on behalf of the operating partnership.

These expenses, however, do not include any of our administrative and operating costs and expenses incurred that are attributable to hotel properties that are owned by us directly rather than by the operating partnership or its subsidiaries.

Fiduciary Responsibilities

Our trustees and officers have duties under applicable Maryland law to manage us in a manner consistent with the best interests of our shareholders. At the same time, we, as the general partner of our operating partnership, will have fiduciary duties to manage our operating partnership in a manner beneficial to our operating partnership and its partners. Our duties, as general partner to our operating partnership and its limited partners, therefore, may come into conflict with the duties of our trustees and officers to our shareholders. We will be under no obligation to give priority to the separate interests of the limited partners of our operating partnership or our shareholders in deciding whether to cause the operating partnership to take or decline to take any actions.

The limited partners of our operating partnership expressly will acknowledge that as the general partner of our operating partnership, we are acting for the benefit of the operating partnership, the limited partners and our shareholders collectively.

Distributions

The partnership agreement will provide that the operating partnership will distribute cash from operations (including net sale or refinancing proceeds, but excluding net proceeds from the sale of the operating partnership’s property in connection with the liquidation of the operating partnership) at such time and in such amounts as determined by us in our sole discretion, to us and the limited partners in accordance with their respective percentage interests in the operating partnership.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of the partnership, including any partner loans, any remaining assets of the

partnership will be distributed to us and the limited partners with positive capital accounts in accordance with their respective positive capital account balances.

LTIP Units

Upon completion of this offering, we will cause our operating partnership to issue an aggregate of LTIP units to certain of our officers. These LTIP units will vest ratably over the first anniversaries of the date of grant. In general, LTIP units are a class of partnership units in our operating partnership and will receive the same quarterly per unit profit distributions as the other outstanding units in our operating partnership. Initially, LTIP units will not have full parity with other outstanding units with respect to liquidating distributions. We expect that under the terms of the LTIP units, our operating partnership will revalue its assets upon the occurrence of certain specified events, and any increase in valuation from the time of grant until such event will be allocated first to the LTIP unit holders to equalize the capital accounts of such holders with the capital accounts of holders of our other outstanding partnership units. Upon equalization of the capital accounts of the LTIP unit holders with the capital accounts of the other holders of our operating partnership units, the LTIP units will achieve full parity with our other operating partnership units for all purposes, including with respect to liquidating distributions. If such parity is reached, vested LTIP units may be converted into an equal number of operating partnership units at any time, and thereafter enjoy all the rights of such units, including redemption rights. However, there are circumstances under which such parity would not be reached. Until and unless such parity is reached, the value for a given number of vested LTIP units will be less than the value of an equal number of our common shares.

Allocations

Profits and losses of the partnership (including depreciation and amortization deductions) for each fiscal year generally will be allocated to us and the other limited partners in accordance with the respective percentage interests in the partnership. Notwithstanding the foregoing, upon the occurrence of certain specified events, our operating partnership will allocate gain on the disposition of its assets first to holders of LTIP units, and will revalue its assets with any net increase in valuation allocated first to the LTIP units, in each case to equalize the capital accounts of such holders with the capital accounts of the holders of the other outstanding units in our operating partnership. All of the foregoing allocations are subject to compliance with the provisions of Sections 704(b) and 704(c) of the Code and Treasury regulations promulgated thereunder. To the extent Treasury regulations promulgated pursuant to Section 704(c) of the Code permit, we, as the general partner, shall have the authority to elect the method to be used by the operating partnership for allocating items with respect to contributed property acquired in connection with this offering for which fair market value differs from the adjusted tax basis at the time of contribution, and such election shall be binding on all partners.

Term

The operating partnership will continue indefinitely, or until sooner dissolved upon:

- our bankruptcy, dissolution, removal or withdrawal (unless the limited partners elect to continue the partnership);
- the passage of 90 days after the sale or other disposition of all or substantially all of the assets of the partnership;
- the redemption of all partnership units (other than those held by us, if any); or
- an election by us in our capacity as the general partner.

Tax Matters

Our partnership agreement will provide that we, as the sole general partner of the operating partnership, will be the tax matters partner of the operating partnership and, as such, will have authority to handle tax audits and to make tax elections under the Code on behalf of the operating partnership.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the material federal income tax considerations that you, as a shareholder, may consider relevant. Hunton & Williams LLP has acted as our counsel, has reviewed this summary, and is of the opinion that the discussion contained herein is accurate in all material respects. Because this section is a summary, it does not address all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances, or to certain types of shareholders that are subject to special treatment under the federal income tax laws, such as:

- insurance companies;
- tax-exempt organizations (except to the limited extent discussed in "— Taxation of Tax-Exempt Shareholders" below);
- financial institutions or broker-dealers;
- non-U.S. individuals and foreign corporations (except to the limited extent discussed in "— Taxation of Non-U.S. Shareholders" below);
- U.S. expatriates;
- persons who mark-to-market our common shares;
- subchapter S corporations;
- U.S. shareholders (as defined below) whose functional currency is not the U.S. dollar;
- regulated investment companies and REITs;
- trusts and estates;
- holders who receive our common shares through the exercise of employee share options or otherwise as compensation;
- persons holding our common shares as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment;
- persons subject to the alternative minimum tax provisions of the Code; and
- persons holding our common shares through a partnership or similar pass-through entity.

This summary assumes that shareholders hold shares as capital assets for federal income tax purposes, which generally means property held for investment.

The statements in this section are based on the current federal income tax laws, are for general information purposes only and are not tax advice. We cannot assure you that new laws, interpretations of law, or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate.

WE URGE YOU TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND SALE OF OUR COMMON SHARES AND OF OUR ELECTION TO BE TAXED AS A REIT. SPECIFICALLY, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND ELECTION, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

Taxation of Our Company

We currently have in effect an election to be taxed as a pass-through entity under subchapter S of the Code, but intend to revoke our S election on the business day prior to the closing date of this offering. We intend to elect to be taxed as a REIT for federal income tax purposes commencing with our short taxable year beginning on the business day prior to the closing of this offering and ending December 31,

2010. We believe that, commencing with such short taxable year, we will be organized and will operate in such a manner as to qualify for taxation as a REIT under the federal income tax laws, and we intend to continue to operate in such a manner, but no assurances can be given that we will operate in a manner so as to qualify or remain qualified as a REIT. This section discusses the laws governing the federal income tax treatment of a REIT and its shareholders. These laws are highly technical and complex.

In connection with this offering, Hunton & Williams LLP will render an opinion that, commencing with our short taxable year beginning on the business day prior to the closing of this offering and ending on December 31, 2010, we will be organized in conformity with the requirements for qualification and taxation as a REIT under the federal income tax laws, and our proposed method of operations will enable us to satisfy the requirements for qualification and taxation as a REIT under the federal income tax laws. Investors should be aware that Hunton & Williams LLP's opinion is based upon customary assumptions, will be conditioned upon certain representations made by us as to factual matters, including representations regarding the nature of our assets and the conduct of our business, is not binding upon the IRS, or any court, and speaks as of the date issued. In addition, Hunton & Williams LLP's opinion will be based on existing federal income tax law governing qualification as a REIT, which is subject to change either prospectively or retroactively. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the federal tax laws. Those qualification tests involve the percentage of income that we earn from specified sources, the percentage of our assets that falls within specified categories, the diversity of ownership of our shares of beneficial interest, and the percentage of our earnings that we distribute. Hunton & Williams LLP will not review our compliance with those tests on a continuing basis. Accordingly, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements. For a discussion of the tax consequences of our failure to qualify as a REIT, see "— Failure to Qualify."

If we qualify as a REIT, we generally will not be subject to federal income tax on the taxable income that we distribute to our shareholders. The benefit of that tax treatment is that it avoids the "double taxation," or taxation at both the corporate and shareholder levels, that generally results from owning stock in a corporation. However, we will be subject to federal tax in the following circumstances:

- We will pay federal income tax on any taxable income, including undistributed net capital gain, that we do not distribute to shareholders during, or within a specified time period after, the calendar year in which the income is earned.
- We may be subject to the "alternative minimum tax" on any items of tax preference including any deductions of net operating losses.
- We will pay income tax at the highest corporate rate on:
  - net income from the sale or other disposition of property acquired through foreclosure or after a default on a lease of the property ("foreclosure property") that we hold primarily for sale to customers in the ordinary course of business, and
  - other non-qualifying income from foreclosure property.
- We will pay a 100% tax on net income from sales or other dispositions of property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business.
- If we fail to satisfy one or both of the 75% gross income test or the 95% gross income test, as described below under "— Gross Income Tests," and nonetheless continue to qualify as a REIT because we meet other requirements, we will pay a 100% tax on:
  - the gross income attributable to the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, in either case, multiplied by
  - a fraction intended to reflect our profitability.

- If we fail to distribute during a calendar year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for the year, and (3) any undistributed taxable income required to be distributed from earlier periods, we will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount we actually distributed.
- We may elect to retain and pay income tax on our net long-term capital gain. In that case, a U.S. shareholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we made a timely designation of such gain to the shareholders) and would receive a credit or refund for its proportionate share of the tax we paid.
- We will be subject to a 100% excise tax on transactions with a TRS that are not conducted on an arm's-length basis.
- In the event of a failure of any of the asset tests, other than a *de minimis* failure of the 5% asset test or the 10% vote or value test, as described below under "— Asset Tests," as long as the failure was due to reasonable cause and not to willful neglect, we file a description of each asset that caused such failure with the IRS, and we dispose of the assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify such failure, we will pay a tax equal to the greater of $50,000 or the highest federal income tax rate then applicable to U.S. corporations (currently 35%) on the net income from the nonqualifying assets during the period in which we failed to satisfy the asset tests.
- In the event we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and such failure is due to reasonable cause and not to willful neglect, we will be required to pay a penalty of $50,000 for each such failure.
- If we acquire any asset from a C corporation, or a corporation that generally is subject to full corporate-level tax, in a merger or other transaction in which we acquire a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, we will pay tax at the highest regular corporate rate applicable if we recognize gain on the sale or disposition of the asset during the 10-year period after we acquire the asset provided no election is made for the transaction to be taxable on a current basis. The amount of gain on which we will pay tax is the lesser of:
    - the amount of gain that we recognize at the time of the sale or disposition, and
    - the amount of gain that we would have recognized if we had sold the asset at the time we acquired it.
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's shareholders, as described below in "— Recordkeeping Requirements."
- The earnings of our lower-tier entities that are subchapter C corporations, including TRSs, will be subject to federal corporate income tax.

In addition, notwithstanding our status as a REIT, we may also have to pay certain state and local income taxes, because not all states and localities treat REITs in the same manner that they are treated for federal income tax purposes. Moreover, as further described below, TRSs will be subject to federal, state and local corporate income tax on their taxable income.

Requirements for Qualification

A REIT is a corporation, trust, or association that meets each of the following requirements:

1. It is managed by one or more directors or trustees.
2. Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest.
3. It would be taxable as a domestic corporation, but for the REIT provisions of the federal income tax laws.
4. It is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws.
5. At least 100 persons are beneficial owners of its shares or ownership certificates.
6. Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the Code defines to include certain entities, during the last half of any taxable year.
7. It elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.
8. It meets certain other qualification tests, described below, regarding the nature of its income and assets and the amount of its distributions to shareholders.
9. It uses a calendar year for federal income tax purposes and complies with the recordkeeping requirements of the federal income tax laws.

We must meet requirements 1 through 4, 7, 8 and 9 during our entire taxable year and must meet requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Requirements 5 and 6 will apply to us beginning with our 2011 taxable year. If we comply with all the requirements for ascertaining the ownership of our outstanding shares in a taxable year and have no reason to know that we violated requirement 6, we will be deemed to have satisfied requirement 6 for that taxable year. For purposes of determining share ownership under requirement 6, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit sharing trust under the Code, and beneficiaries of such a trust will be treated as holding our shares in proportion to their actuarial interests in the trust for purposes of requirement 6.

Our declaration of trust provides restrictions regarding the transfer and ownership of our shares of beneficial interest. See "Description of Shares of Beneficial Interest — Restrictions on Ownership and Transfer." We believe that we will issue sufficient shares of beneficial interest with sufficient diversity of ownership to allow us to satisfy requirements 5 and 6 above. The restrictions in our declaration of trust are intended (among other things) to assist us in continuing to satisfy requirements 5 and 6 described above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy such share ownership requirements. If we fail to satisfy these share ownership requirements, our qualification as a REIT may terminate.

In addition, we must satisfy all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status and comply with the record-keeping requirements of the Code and regulations promulgated thereunder.

Qualified REIT Subsidiaries. A corporation that is a "qualified REIT subsidiary" is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction, and credit of a "qualified REIT subsidiary" are treated as assets, liabilities, and items of income, deduction,

and credit of the REIT. A "qualified REIT subsidiary" is a corporation, other than a TRS, all of the stock of which is owned by the REIT. Thus, in applying the requirements described herein, any "qualified REIT subsidiary" that we own will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction, and credit.

Other Disregarded Entities and Partnerships. An unincorporated domestic entity, such as a partnership or limited liability company that has a single owner, generally is not treated as an entity separate from its parent for federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Our proportionate share for purposes of the 10% value test (see "— Asset Tests") will be based on our proportionate interest in the equity interests and certain debt securities issued by the partnership. For all of the other asset and income tests, our proportionate share will be based on our proportionate interest in the capital interests in the partnership. Our proportionate share of the assets, liabilities, and items of income of any partnership, joint venture, or limited liability company that is treated as a partnership for federal income tax purposes in which we acquire an equity interest, directly or indirectly, will be treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

Taxable REIT Subsidiaries. A REIT may own up to 100% of the capital stock of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. 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. However, an entity will not qualify as a TRS if it directly or indirectly operates or manages a lodging or health care facility or, generally, provides to another person under a franchise, license, or otherwise, rights to any brand name under which any lodging facility or health care facility is operated, unless such rights are provided to an "eligible independent contractor" (as defined below under "— Gross Income Tests — Rents from Real Property") to operate or manage a lodging facility or health care facility and such lodging facility or health care facility is either owned by the TRS or leased to the TRS by its parent REIT. Additionally, a TRS that employs individuals working at a qualified lodging facility located outside the United States will not be considered to operate or manage a qualified lodging facility as long as an "eligible independent contractor" is responsible for the daily supervision and direction of such individuals on behalf of the TRS pursuant to a management agreement or similar service contract.

We are not treated as holding the assets of a TRS or as receiving any income that the subsidiary earns. Rather, the stock issued by a TRS to us is an asset in our hands, and we treat the distributions paid to us from such taxable subsidiary, if any, as dividend income. This treatment can affect our compliance with the gross income and asset tests. Because we do not include the assets and income of TRSs in determining our compliance with the REIT requirements, we may use such entities to undertake indirectly activities that the REIT rules might otherwise preclude us from doing directly or through pass-through subsidiaries. Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs.

A TRS will pay income tax at regular corporate rates on any income that it earns. 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. Further, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis. We have formed Chatham TRS Holding, Inc., whose wholly owned subsidiaries will be the lessees of our hotel properties. See "— Taxable REIT Subsidiaries."

Gross Income Tests

We must satisfy two gross income tests annually to maintain our qualification as a REIT. First, at least 75% of our gross income for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

- rents from real property;
- interest on debt secured by mortgages on real property, or on interests in real property;
- dividends or other distributions on, and gain from the sale of, shares in other REITs;
- gain from the sale of real estate assets; and
- income derived from the temporary investment in stock and debt investments purchased with the proceeds from the issuance of our shares of beneficial interest or a public offering of our debt with a maturity date of at least five years and that we receive during the one-year period beginning on the date on which we received such new capital.

Second, in general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of shares or securities, or any combination of these. Gross income from our sale of property that we hold primarily for sale to customers in the ordinary course of business is excluded from both the numerator and the denominator in both gross income tests. In addition, income and gain from "hedging transactions" that we enter into to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets and that are clearly and timely identified as such will be excluded from both the numerator and the denominator for purposes of the 75% and 95% gross income tests. In addition, certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. See "— Foreign Currency Gain" below. The following paragraphs discuss the specific application of the gross income tests to us.

Rents from Real Property. Rent that we receive from our real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met:

- First, the rent must not be based, in whole or in part, on the income or profits of any person, but may be based on a fixed percentage or percentages of receipts or sales.
- Second, neither we nor a direct or indirect owner of 10% or more of our shares of beneficial interest may own, actually or constructively, 10% or more of a tenant from whom we receive rent, other than a TRS. If the tenant is a TRS and the property is a "qualified lodging facility," such TRS may not directly or indirectly operate or manage such property. Instead, the property must be operated on behalf of the TRS by a person who qualifies as an "independent contractor" and who is, or is related to a person who is, actively engaged in the trade or business of operating lodging facilities for any person unrelated to us and the TRS. See "— Taxable REIT Subsidiaries."
- Third, if the rent attributable to personal property leased in connection with a lease of real property is 15% or less of the total rent received under the lease, then the rent attributable to personal property will qualify as rents from real property. However, if the 15% threshold is exceeded, the rent attributable to personal property will not qualify as rents from real property.
- Fourth, we generally must not operate or manage our real property or furnish or render services to our tenants, other than certain customary services provided to tenants through an "independent contractor" who is adequately compensated and from whom we do not derive revenue. Furthermore, we may own up to 100% of the stock of a TRS

which may provide customary and noncustomary services to our tenants without tainting our rental income for the related properties. We need not provide services through an "independent contractor" or a TRS, but instead may provide services directly to our tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, we may provide a minimal amount of services not described in the prior sentence to the tenants of a property, other than through an independent contractor or a TRS, as long as our income from the services (valued at not less than 150% of our direct cost of performing such services) does not exceed 1% of our income from the related property. See "— Taxable REIT Subsidiaries."

Our TRS lessees will lease from our operating partnership and its subsidiaries the land, buildings, improvements, furnishings and equipment comprising our hotel properties. In order for the rent paid under the leases to constitute "rents from real property," the leases must be respected as true leases for federal income tax purposes and not treated as service contracts, joint ventures or some other type of arrangement. The determination of whether our leases are true leases depends on an analysis of all the surrounding facts and circumstances. In making such a determination, courts have considered a variety of factors, including the following:

- the intent of the parties;
- the form of the agreement;
- the degree of control over the property that is retained by the property owner (for example, whether the lessee has substantial control over the operation of the property or whether the lessee was required simply to use its best efforts to perform its obligations under the agreement); and
- the extent to which the property owner retains the risk of loss with respect to the property (for example, whether the lessee bears the risk of increases in operating expenses or the risk of damage to the property) or the potential for economic gain with respect to the property.

In addition, the federal income tax law provides that a contract that purports to be a service contract or a partnership agreement is treated instead as a lease of property if the contract is properly treated as such, taking into account all relevant factors. Since the determination of whether a service contract should be treated as a lease is inherently factual, the presence or absence of any single factor may not be dispositive in every case.

We currently intend to structure our leases so that they qualify as true leases for federal income tax purposes. For example, with respect to each lease, we generally expect that:

- our operating partnership and the lessee will intend for their relationship to be that of a lessor and lessee, and such relationship will be documented by a lease agreement;
- the lessee will have the right to exclusive possession and use and quiet enjoyment of the hotels covered by the lease during the term of the lease;
- the lessee will bear the cost of, and will be responsible for, day-to-day maintenance and repair of the hotels other than the cost of certain capital expenditures, and will dictate through hotel managers that are eligible independent contractors, who will work for the lessee during the terms of the lease, and generally will dictate how the hotels will be operated and maintained;
- the lessee will bear all of the costs and expenses of operating the hotels, including the cost of any inventory used in their operation, during the term of the lease, other than real estate and personal property taxes and the cost of certain furniture, fixtures and equipment, and certain capital expenditures;

- the lessee will benefit from any savings and will bear the burdens of any increases in the costs of operating the hotels during the term of the lease;
- in the event of damage or destruction to a hotel, the lessee will be at economic risk because it will bear the economic burden of the loss in income from operation of the hotels subject to the right, in certain circumstances, to terminate the lease if the lessor does not restore the hotel to its prior condition;
- the lessee will generally indemnify the lessor against all liabilities imposed on the lessor during the term of the lease by reason of (A) injury to persons or damage to property occurring at the hotels or (B) the lessee's use, management, maintenance or repair of the hotels;
- the lessee will be obligated to pay, at a minimum, substantial base rent for the period of use of the hotels under the lease;
- the lessee will stand to incur substantial losses or reap substantial gains depending on how successfully it, through the hotel managers, who work for the lessees during the terms of the leases, operates the hotels;
- we expect that each lease that we enter into, at the time we enter into it (or at any time that any such lease is subsequently renewed or extended) will enable the tenant to derive a meaningful profit, after expenses and taking into account the risks associated with the lease, from the operation of the hotels during the term of its leases; and
- upon termination of each lease, the applicable hotel will be expected to have a substantial remaining useful life and substantial remaining fair market value.

Investors should be aware that there are no controlling Treasury regulations, published rulings or judicial decisions involving leases with terms substantially the same as our leases that discuss whether such leases constitute true leases for federal income tax purposes. If our leases are characterized as service contracts or partnership agreements, rather than as true leases, part or all of the payments that our operating partnership and its subsidiaries receive from the TRS lessees may not be considered rent or may not otherwise satisfy the various requirements for qualification as "rents from real property." In that case, we likely would not be able to satisfy either the 75% or 95% gross income test and, as a result, would lose our REIT status unless we qualify for relief, as described below under "— Failure to Satisfy Gross Income Tests."

As described above, in order for the rent that we receive to constitute "rents from real property," several other requirements must be satisfied. One requirement is that percentage rent must not be based in whole or in part on the income or profits of any person. Percentage rent, however, will qualify as "rents from real property" if it is based on percentages of receipts or sales and the percentages:

- are fixed at the time the percentage leases are entered into;
- are not renegotiated during the term of the percentage leases in a manner that has the effect of basing percentage rent on income or profits; and
- conform with normal business practice.

More generally, percentage rent will not qualify as "rents from real property" if, considering the leases and all the surrounding circumstances, the arrangement does not conform with normal business practice, but is in reality used as a means of basing the percentage rent on income or profits.

Second, we must not own, actually or constructively, 10% or more of the shares or the assets or net profits of any lessee (a "related party tenant"), other than a TRS. The constructive ownership rules generally provide that, if 10% or more in value of our shares of beneficial interest is owned, directly or indirectly, by or for any person, we are considered as owning the shares owned, directly or

indirectly, by or for such person. We anticipate that all of our hotels will be leased to TRSs. In addition, our declaration of trust prohibits transfers of our shares of beneficial interest that would cause us to own actually or constructively, 10% or more of the ownership interests in any non-TRS lessee. Based on the foregoing, we should never own, actually or constructively, 10% or more of any lessee other than a TRS. However, because the constructive ownership rules are broad and it is not possible to monitor continually direct and indirect transfers of our shares of beneficial interest, no absolute assurance can be given that such transfers or other events of which we have no knowledge will not cause us to own constructively 10% or more of a lessee (or a subtenant, in which case only rent attributable to the subtenant is disqualified) other than a TRS at some future date.

As described above, we may own up to 100% of the capital stock of one or more TRSs. A TRS is a fully taxable corporation that generally may engage in any business, including the provision of customary or noncustomary services to tenants of its parent REIT, except that a TRS may not directly or indirectly operate or manage any lodging facilities or health care facilities or provide rights to any brand name under which any lodging or health care facility is operated, unless such rights are provided to an "eligible independent contractor" to operate or manage a lodging or health care facility if such rights are held by the TRS as a franchisee, licensee, or in a similar capacity and such hotel is either owned by the TRS or leased to the TRS by its parent REIT. A TRS will not be considered to operate or manage a qualified lodging facility solely because the TRS directly or indirectly possesses a license, permit, or similar instrument enabling it to do so. Additionally, a TRS that employs individuals working at a qualified lodging facility outside the United States will not be considered to operate or manage a qualified lodging facility located outside of the United States, as long as an "eligible independent contractor" is responsible for the daily supervision and direction of such individuals on behalf of the TRS pursuant to a management agreement or similar service contract. However, rent that we receive from a TRS with respect to any property will qualify as "rents from real property" as long as the property is a "qualified lodging facility" and such property is operated on behalf of the TRS by a person from whom we derive no income who is adequately compensated, who does not, directly or through its shareholders, own more than 35% of our shares, taking into account certain ownership attribution rules, and who is, or is related to a person who is, actively engaged in the trade or business of operating "qualified lodging facilities" for any person unrelated to us and the TRS lessee (an "eligible independent contractor"). A "qualified lodging facility" is a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis, unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. A "qualified lodging facility" includes customary amenities and facilities operated as part of, or associated with, the lodging facility as long as such amenities and facilities are customary for other properties of a comparable size and class owned by other unrelated owners. See "— Taxable REIT Subsidiaries."

Our TRS lessees will lease our hotel properties, which we believe will constitute qualified lodging facilities. Our TRS lessees will engage independent third-party hotel managers, such as IHM and Hilton Hotels Corporation and its affiliates, that qualify as "eligible independent contractors" to operate the related hotels on behalf of such TRS lessees.

Third, the rent attributable to the personal property leased in connection with the lease of a hotel must not be greater than 15% of the total rent received under the lease. The rent attributable to the personal property contained in a hotel is the amount that bears the same ratio to total rent for the taxable year as the average of the fair market values of the personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property contained in the hotel at the beginning and at the end of such taxable year (the "personal property ratio"). To comply with this limitation, a TRS lessee may acquire furnishings, equipment and other personal property. With respect to each hotel in which the TRS lessee does not own the personal property, we believe either that the personal property ratio will be less than 15% or that any rent attributable to excess personal property will not jeopardize our ability to qualify as a REIT.

There can be no assurance, however, that the IRS would not challenge our calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, we could fail to satisfy the 75% or 95% gross income test and thus potentially lose our REIT status.

Fourth, we generally cannot furnish or render services to the tenants of our hotels, or manage or operate our properties, other than through an independent contractor who is adequately compensated and from whom we do not derive or receive any income. Furthermore, our TRSs may provide customary and noncustomary services to our tenants without tainting our rental income from such properties. However, we need not provide services through an "independent contractor" or TRS but instead may provide services directly to our tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, we may provide a minimal amount of "noncustomary" services to the tenants of a property, other than through an independent contractor or a TRS, as long as our income from the services does not exceed 1% of our income from the related property. We will not perform any services other than customary ones for our lessees, unless such services are provided through independent contractors or TRSs or would not otherwise jeopardize our tax status as a REIT.

If a portion of the rent that we receive from a hotel does not qualify as "rents from real property" because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent that is attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. Thus, if such rent attributable to personal property, plus any other income that is nonqualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of our gross income during the year, we would lose our REIT qualification. If, however, the rent from a particular hotel does not qualify as "rents from real property" because either (1) the percentage rent is considered based on the income or profits of the related lessee, (2) the lessee either is a related party tenant or fails to qualify for the exception to the related party tenant rule for qualifying TRSs or (3) we furnish noncustomary services to the tenants of the hotel, or manage or operate the hotel, other than through a qualifying independent contractor or a TRS, none of the rent from that hotel would qualify as "rents from real property." In that case, we might lose our REIT qualification because we might be unable to satisfy either the 75% or 95% gross income test. In addition to the rent, the lessees will be required to pay certain additional charges. To the extent that such additional charges represent either (1) reimbursements of amounts that we are obligated to pay to third parties, such as a lessee's proportionate share of a property's operational or capital expenses, or (2) penalties for nonpayment or late payment of such amounts, such charges should qualify as "rents from real property." However, to the extent that such charges do not qualify as "rents from real property," they instead may be treated as interest that qualifies for the 95% gross income test, but not the 75% gross income test, or they may be treated as nonqualifying income for purposes of both gross income tests. We intend to structure our leases in a manner that will enable us to satisfy the REIT gross income tests.

Interest. The term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. However, interest generally includes the following:

- an amount that is based on a fixed percentage or percentages of receipts or sales; and
- an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property, and only to the extent that the amounts received by the debtor would be qualifying "rents from real property" if received directly by a REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's

value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

We may invest opportunistically from time to time in mortgage debt and mezzanine loans when we believe our investment will allow us to acquire control of the related real estate. Interest on debt secured by a mortgage on real property or on interests in real property, including, for this purpose, discount points, prepayment penalties, loan assumption fees, and late payment charges that are not compensation for services, generally is qualifying income for purposes of the 75% gross income test. However, if a loan is secured by real property and other property and the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the REIT agreed to acquire the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the portion of the principal amount of the loan that is not secured by real property — that is, the amount by which the loan exceeds the value of the real estate that is security for the loan.

Mezzanine loans are loans secured by equity interests in an entity that directly or indirectly owns real property, rather than by a direct mortgage of the real property. IRS Revenue Procedure 2003-65 provides a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests described below, and interest derived from it will be treated as qualifying mortgage interest for purposes of the 75% gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Moreover, we anticipate that the mezzanine loans we will acquire typically will not meet all of the requirements for reliance on this safe harbor. We intend to invest in mezzanine loans in manner that will enable us to continue to satisfy the gross income and asset tests.

Dividends. Our share of any dividends received from any corporation (including any TRS, but excluding any REIT) in which we own an equity interest will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. Our share of any dividends received from any other REIT in which we own an equity interest, if any, will be qualifying income for purposes of both gross income tests.

Prohibited Transactions. A REIT will incur a 100% tax on the net income (including foreign currency gain) derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We believe that none of our assets will be held primarily for sale to customers and that a sale of any of our assets will not be in the ordinary course of our business. Whether a REIT holds an asset “primarily for sale to customers in the ordinary course of a trade or business” depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. A safe harbor to the characterization of the sale of property by a REIT as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

- the REIT has held the property for not less than two years;
- the aggregate expenditures made by the REIT, or any partner of the REIT, during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling prince of the property;
- either (1) during the year in question, the REIT did not make more than seven sales of property other than foreclosure property or sales to which Section 1033 of the Code applies, (2) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year or (3) the aggregate fair market value of all such properties sold by

the REIT during the year did not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year;

- in the case of property not acquired through foreclosure or lease termination, the REIT has held the property for at least two years for the production of rental income; and
- if the REIT has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the REIT derives no income.

We will attempt to comply with the terms of safe-harbor provision in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we can comply with the safe-harbor provision or that we will avoid owning property that may be characterized as property that we hold "primarily for sale to customers in the ordinary course of a trade or business." The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to the corporation at regular corporate income tax rates.

Foreclosure Property. We will be subject to tax at the maximum corporate rate on any income from foreclosure property, which includes certain foreign currency gains and related deductions, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured;
- for which the related loan was acquired by the REIT at a time when the default was not imminent or anticipated; and
- for which the REIT makes a proper election to treat the property as foreclosure property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, or longer if an extension is granted by the Secretary of the Treasury. However, this grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;
- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or
- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income.

Hedging Transactions. From time to time, we or our operating partnership may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. Income and gain from "hedging transactions" will be excluded from gross income for purposes of both the 75% and 95% gross income tests. A "hedging transaction" means either (1) any transaction entered into in the normal course of our or our operating partnership's trade or business primarily to manage the risk of interest rate changes, price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets and (2) any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain). We are required to clearly identify any such hedging transaction before the close of the day on which it was acquired or entered into and to satisfy other identification requirements. We intend to structure any hedging transactions in a manner that does not jeopardize our qualification as a REIT.

Foreign Currency Gain. Certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. "Real estate foreign exchange gain" will be excluded from gross income for purposes of the 75% gross income test. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or on interests in real property and certain foreign currency gain attributable to certain "qualified business units" of a REIT. "Passive foreign exchange gain" will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations. Because passive foreign exchange gain includes real estate foreign exchange gain, real estate foreign exchange gain is excluded from gross income for purposes of both the 75% and 95% gross income tests. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to any certain foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities. Such gain is treated as nonqualifying income for purposes of both the 75% and 95% gross income tests.

Failure to Satisfy Gross Income Tests. If we fail to satisfy one or both of the gross income tests for any taxable year, we nevertheless may qualify as a REIT for that year if we qualify for relief under certain provisions of the federal income tax laws. Those relief provisions are available if:

- our failure to meet those tests is due to reasonable cause and not to willful neglect; and
- following such failure for any taxable year, we file a schedule of the sources of our income in accordance with regulations prescribed by the Secretary of the U.S. Treasury.

We cannot predict, however, whether in all circumstances we would qualify for the relief provisions. In addition, as discussed above in "— Taxation of Our Company," even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amount by which we fail the 75% gross income test or the 95% gross income test multiplied, in either case, by a fraction intended to reflect our profitability.

Asset Tests

To qualify as a REIT, we also must satisfy the following asset tests at the end of each quarter of each taxable year.

First, at least 75% of the value of our total assets must consist of:

- cash or cash items, including certain receivables and, in certain circumstances, foreign currencies;
- government securities;
- interests in real property, including leaseholds and options to acquire real property and leaseholds;
- interests in mortgages loans secured by real property;
- stock in other REITs; and
- investments in stock or debt instruments during the one-year period following our receipt of new capital that we raise through equity offerings or public offerings of debt with at least a five-year term.

Second, of our investments not included in the 75% asset class, the value of our interest in any one issuer's securities may not exceed 5% of the value of our total assets, or the 5% asset test.

Third, of our investments not included in the 75% asset class, we may not own more than 10% of the voting power or value of any one issuer's outstanding securities, or the 10% vote or value test.

Fourth, no more than 25% of the value of our total assets may consist of the securities of one or more TRSs.

Fifth, no more than 25% of the value of our total assets may consist of the securities of TRSs and other non-TRS taxable subsidiaries and other assets that are not qualifying assets for purposes of the 75% asset test, or the 25% securities test.

For purposes of the 5% asset test and the 10% vote or value test, the term "securities" does not include shares in another REIT, equity or debt securities of a qualified REIT subsidiary or TRS, mortgage loans that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT, except that for purposes of the 10% value test, the term "securities" does not include:

- "Straight debt" securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into equity, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which we or any controlled TRS (*i.e.*, a TRS in which we own directly or indirectly more than 50% of the voting power or value of the stock) hold non-"straight debt" securities that have an aggregate value of more than 1% of the issuer's outstanding securities. However, "straight debt" securities include debt subject to the following contingencies:
- a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt obligations held by us exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and

- a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;
- Any loan to an individual or an estate;
- Any “section 467 rental agreement,” other than an agreement with a related party tenant;
- Any obligation to pay “rents from real property”;
- Certain securities issued by governmental entities;
- Any security issued by a REIT;
- Any debt instrument issued by an entity treated as a partnership for federal income tax purposes in which we are a partner to the extent of our proportionate interest in the equity and debt securities of the partnership; and
- Any debt instrument issued by an entity treated as a partnership for federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership’s gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in “— Gross Income Tests.”

For purposes of the 10% value test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

As described above, we may, on a select basis, invest in mezzanine loans. Although we expect that our investments in mezzanine loans will generally be treated as real estate assets, we anticipate that the mezzanine loans in which we invest will not meet all the requirements of the safe harbor in IRS Revenue Procedure 2003-65. Thus no assurance can be provided that the IRS will not challenge our treatment of mezzanine loans as real estate assets. We intend to invest in mezzanine loans in a manner that will enable us to continue to satisfy the asset and gross income test requirements.

We will monitor the status of our assets for purposes of the various asset tests and will manage our portfolio in order to comply at all times with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT qualification if:

- we satisfied the asset tests at the end of the preceding calendar quarter; and
- the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If we did not satisfy the condition described in the second item, above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

In the event that we violate the 5% asset test or the 10% vote or value test described above, we will not lose our REIT qualification if (1) the failure is *de minimis* (up to the lesser of 1% of our assets or $10 million) and (2) we dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify such failure. In the event of a failure of any of the asset tests (other than *de minimis* failures described in the preceding sentence), as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT status if we (1) dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify the failure, (2) we file a description of each asset causing the failure with the IRS and (3) pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income from the nonqualifying assets during the period in which we failed to satisfy the asset tests.

We believe that the assets that we will hold will satisfy the foregoing asset test requirements. However, we will not obtain independent appraisals to support our conclusions as to the value of our assets and securities, or the real estate collateral for the mortgage or mezzanine loans that support our investments. Moreover, the values of some assets may not be susceptible to a precise determination. As a result, there can be no assurance that the IRS will not contend that our ownership of securities and other assets violates one or more of the asset tests applicable to REITs.

Distribution Requirements

Each taxable year, we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our shareholders in an aggregate amount at least equal to:

- the sum of
  - 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and our net capital gain or loss; and
  - 90% of our after-tax net income, if any, from foreclosure property, minus
- the excess of the sum of certain items of non-cash income over 5% of our "REIT taxable income."

We must pay such distributions in the taxable year to which they relate, or in the following taxable year if either (a) we declare the distribution before we timely file our federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration or (b) we declare the distribution in October, November or December of the taxable year, payable to shareholders of record on a specified day in any such month, and we actually pay the dividend before the end of January of the following year. The distributions under clause (a) are taxable to the shareholders in the year in which paid, and the distributions in clause (b) are treated as paid on December 31st of the prior taxable year. In both instances, these distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

We will pay federal income tax on taxable income, including net capital gain, that we do not distribute to shareholders. Furthermore, if we fail to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of our REIT ordinary income for such year,
- 95% of our REIT capital gain income for such year, and
- any undistributed taxable income from prior periods,

we will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts we actually distribute.

We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above. We intend to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% nondeductible excise tax.

It is possible that, from time to time, we may experience timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our "REIT taxable income." Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and

the excise tax imposed on certain undistributed income or even to meet the 90% distribution requirement. In such a situation, we may need to borrow funds or, if possible, pay taxable dividends of our shares of beneficial interest or debt securities.

Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying “deficiency dividends” to our shareholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest to the IRS based upon the amount of any deduction we take for deficiency dividends.

Recordkeeping Requirements

We must maintain certain records in order to qualify as a REIT. In addition, to avoid a monetary penalty, we must request on an annual basis information from our shareholders designed to disclose the actual ownership of our outstanding shares of beneficial interest. We intend to comply with these requirements.

Failure to Qualify

If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests (for which the cure provisions are described above), we could avoid disqualification if our failure is due to reasonable cause and not to willful neglect and we pay a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in “— Gross Income Tests” and “— Asset Tests.”

If we fail to qualify as a REIT in any taxable year, and no relief provision applies, we would be subject to federal income tax and any applicable alternative minimum tax on our taxable income at regular corporate rates. In calculating our taxable income in a year in which we fail to qualify as a REIT, we would not be able to deduct amounts paid out to shareholders. In fact, we would not be required to distribute any amounts to shareholders in that year. In such event, to the extent of our current and accumulated earnings and profits, all distributions to shareholders would be taxable as dividend income. Subject to certain limitations, corporate shareholders might be eligible for the dividends received deduction and shareholders taxed at individual rates may be eligible for the reduced federal income tax rate of 15% through 2010 on such dividends. Unless we qualified for relief under specific statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. We cannot predict whether in all circumstances we would qualify for such statutory relief.

Taxation of Taxable U.S. Shareholders

As used herein, the term “U.S. shareholder” means a holder of our common shares that for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for federal income tax purposes) created or organized in or under the laws of the United States, any of its states or the District of Columbia;
- an estate whose income is subject to federal income taxation regardless of its source; or
- any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

If a partnership, entity or arrangement treated as a partnership for federal income tax purposes holds our common shares, the federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner

in a partnership holding our common shares, you are urged to consult your tax advisor regarding the consequences of the ownership and disposition of our common shares by the partnership.

As long as we qualify as a REIT, a taxable U.S. shareholder must generally take into account as ordinary income distributions made out of our current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain. A U.S. shareholder will not qualify for the dividends received deduction generally available to corporations. In addition, dividends paid to a U.S. shareholder generally will not qualify for the 15% tax rate for "qualified dividend income." The maximum tax rate for qualified dividend income received by U.S. shareholders taxed at individual rates is 15% through 2010. The maximum tax rate on qualified dividend income is lower than the maximum tax rate on ordinary income, which is currently 35%. Qualified dividend income generally includes dividends paid to U.S. shareholders taxed at individual rates by domestic C corporations and certain qualified foreign corporations. Because we are not generally subject to federal income tax on the portion of our REIT taxable income distributed to our shareholders (see "— Taxation of Our Company" above), our dividends generally will not be eligible for the 15% rate on qualified dividend income. As a result, our ordinary REIT dividends will be taxed at the higher tax rate applicable to ordinary income. However, the 15% tax rate for qualified dividend income will apply to our ordinary REIT dividends (i) attributable to dividends received by us from non-REIT corporations, such as our TRS, and (ii) to the extent attributable to income upon which we have paid corporate income tax (*e.g.*, to the extent that we distribute less than 100% of our taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a shareholder must hold our common shares for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which our common shares becomes ex-dividend.

A U.S. shareholder generally will take into account as long-term capital gain any distributions that we designate as capital gain dividends without regard to the period for which the U.S. shareholder has held our common shares. We generally will designate our capital gain dividends as either 15% or 25% rate distributions. See "— Capital Gains and Losses." A corporate U.S. shareholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, to the extent that we designate such amount in a timely notice to such shareholder, a U.S. shareholder would be taxed on its proportionate share of our undistributed long-term capital gain. The U.S. shareholder would receive a credit for its proportionate share of the tax we paid. The U.S. shareholder would increase the basis in its shares of beneficial interest by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A U.S. shareholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the U.S. shareholder's common shares. Instead, the distribution will reduce the adjusted basis of such shares of beneficial interest. A U.S. shareholder will recognize a distribution in excess of both our current and accumulated earnings and profits and the U.S. shareholder's adjusted basis in his or her shares of beneficial interest as long-term capital gain, or short-term capital gain if the shares of beneficial interest have been held for one year or less, assuming the shares of beneficial interest are a capital asset in the hands of the U.S. shareholder. In addition, if we declare a distribution in October, November, or December of any year that is payable to a U.S. shareholder of record on a specified date in any such month, such distribution shall be treated as both paid by us and received by the U.S. shareholder on December 31 of such year, provided that we actually pay the distribution during January of the following calendar year.

Shareholders may not include in their individual income tax returns any of our net operating losses or capital losses. Instead, these losses are generally carried over by us for potential offset against our future income. Taxable distributions from us and gain from the disposition of our common shares will not be treated as passive activity income and, therefore, shareholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the shareholder is a limited partner, against such income. In addition, taxable distributions from us and gain from the disposition of our common shares generally will be treated as investment income for

purposes of the investment interest limitations. We will notify shareholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

Taxation of U.S. Shareholders on the Disposition of Common Shares

A U.S. shareholder who is not a dealer in securities must generally treat any gain or loss realized upon a taxable disposition of our common shares as long-term capital gain or loss if the U.S. shareholder has held our common shares for more than one year and otherwise as short-term capital gain or loss. In general, a U.S. shareholder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. shareholder's adjusted tax basis. A shareholder's adjusted tax basis generally will equal the U.S. shareholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. shareholder (discussed above) less tax deemed paid on such gains and reduced by any returns of capital. However, a U.S. shareholder must treat any loss upon a sale or exchange of common shares held by such shareholder for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us that such U.S. shareholder treats as long-term capital gain. All or a portion of any loss that a U.S. shareholder realizes upon a taxable disposition of our common shares may be disallowed if the U.S. shareholder purchases other common shares within 30 days before or after the disposition.

Capital Gains and Losses

A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate currently is 35% (which rate, absent additional congressional action, will apply until December 31, 2010). The maximum tax rate on long-term capital gain applicable to taxpayers taxed at individual rates is 15% for sales and exchanges of assets held for more than one year occurring through December 31, 2010. The maximum tax rate on long-term capital gain from the sale or exchange of "Section 1250 property," or depreciable real property, is 25%, which applies to the lesser of the total amount of the gain or the accumulated depreciation on the Section 1250 property.

With respect to distributions that we designate as capital gain dividends and any retained capital gain that we are deemed to distribute, we generally may designate whether such a distribution is taxable to our shareholders taxed at individual rates at a 15% or 25% rate. Thus, the tax rate differential between capital gain and ordinary income for those taxpayers may be significant. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Taxation of Tax-Exempt Shareholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income, or UBTI. Although many investments in real estate generate UBTI, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI so long as the exempt employee pension trust does not otherwise use the shares of beneficial interest in the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts that we distribute to tax-exempt shareholders generally should not constitute UBTI. However, if a tax-exempt shareholder were to finance its acquisition of common shares with debt, a portion of the income that it receives from us would constitute UBTI pursuant to the "debt-financed property" rules. Moreover, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the federal income tax laws

are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from us as UBTI. Finally, in certain circumstances, a qualified employee pension or profit sharing trust that owns more than 10% of our shares of beneficial interest must treat a percentage of the dividends that it receives from us as UBTI. Such percentage is equal to the gross income we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the dividends. That rule applies to a pension trust holding more than 10% of our shares of beneficial interest only if:

- the percentage of our dividends that the tax-exempt trust must treat as UBTI is at least 5%;
- we qualify as a REIT by reason of the modification of the rule requiring that no more than 50% of our shares of beneficial interest be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding our shares of beneficial interest in proportion to their actuarial interests in the pension trust; and
- either:
  - one pension trust owns more than 25% of the value of our shares of beneficial interest; or
  - a group of pension trusts individually holding more than 10% of the value of our shares of beneficial interest collectively owns more than 50% of the value of our shares of beneficial interest.

Taxation of Non-U.S. Shareholders

The term "non-U.S. shareholder" means a holder of our common shares that is not a U.S. shareholder or a partnership (or entity treated as a partnership for federal income tax purposes). The rules governing federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign shareholders are complex. This section is only a summary of such rules. **We urge non-U.S. shareholders to consult their own tax advisors to determine the impact of federal, state, and local income tax laws on the purchase, ownership and sale of our common shares, including any reporting requirements**.

A non-U.S. shareholder that receives a distribution that is not attributable to gain from our sale or exchange of a "United States real property interest," or USRPI, as defined below, and that we do not designate as a capital gain dividend or retained capital gain will recognize ordinary income to the extent that we pay such distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. However, if a distribution is treated as effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business (conducted through a United States permanent establishment, where applicable), the non-U.S. shareholder generally will be subject to federal income tax on the distribution at graduated rates, in the same manner as U.S. shareholders are taxed with respect to such distribution, and a non-U.S. shareholder that is a corporation also may be subject to the 30% branch profits tax with respect to that distribution. Except with respect to certain distributions attributable to the sale of USRPIs described below, we plan to withhold U.S. income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. shareholder unless either:

- a lower treaty rate applies and the non-U.S. shareholder files an IRS Form W-8BEN evidencing eligibility for that reduced rate with us; or
- the non-U.S. shareholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

A non-U.S. shareholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the excess portion of such distribution does not exceed the adjusted basis of its common shares. Instead, the excess portion of such distribution will reduce the adjusted basis of such shares of beneficial interest. A non-U.S. shareholder will be subject to tax on a

distribution that exceeds both our current and accumulated earnings and profits and the adjusted basis of its common shares, if the non-U.S. shareholder otherwise would be subject to tax on gain from the sale or disposition of its common shares, as described below. Because we generally cannot determine at the time we make a distribution whether the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. However, a non-U.S. shareholder may claim a refund of amounts that we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits. We must withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent that we do not do so, we will withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which we qualify as a REIT, a non-U.S. shareholder will incur tax on distributions that are attributable to gain from our sale or exchange of a USRPI under the Foreign Investment in Real Property Act of 1980, or FIRPTA. A USRPI includes certain interests in real property and stock in certain corporations at least 50% of whose assets consist of USRPIs. Under FIRPTA, a non-U.S. shareholder is taxed on distributions attributable to gain from sales of USRPIs as if such gain were effectively connected with a U.S. business of the non-U.S. shareholder. A non-U.S. shareholder thus would be taxed on such a distribution at the normal capital gains rates applicable to U.S. shareholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate shareholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. We would be required to withhold 35% of any distribution that we could designate as a capital gain dividend. A non-U.S. shareholder may receive a credit against its tax liability for the amount we withhold.

However, if our common shares are regularly traded on an established securities market in the United States, capital gain distributions on our common shares that are attributable to our sale of real property will be treated as ordinary dividends rather than as gain from the sale of a USRPI, as long as the non-U.S. shareholder did not own more than 5% of our common shares at any time during the one-year period preceding the distribution. As a result, non-U.S. shareholders generally will be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends. We anticipate that our common shares will be regularly traded on an established securities market in the United States following this offering. If our common shares are not regularly traded on an established securities market in the United States or the non-U.S. shareholder owned more than 5% of our common shares at any time during the one-year period preceding the distribution, capital gain distributions that are attributable to our sale of real property would be subject to tax under FIRPTA, as described in the preceding paragraph. Moreover, if a non-U.S. shareholder disposes of our common shares during the 30-day period preceding the ex-dividend date of a dividend, and such non-U.S. shareholder (or a person related to such non-U.S. shareholder) acquires or enters into a contract or option to acquire our common shares within 61 days of the first day of the 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a USRPI capital gain to such non-U.S. shareholder, then such non-U.S. shareholder shall be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

Although the law is not clear on the matter, it appears that amounts we designate as retained capital gains in respect of the common shares held by U.S. shareholders generally should be treated with respect to non-U.S. shareholders in the same manner as actual distributions by us of capital gain dividends. Under this approach, a non-U.S. shareholder would be able to offset as a credit against its United States federal income tax liability resulting from its proportionate share of the tax paid by us on such retained capital gains, and to receive from the IRS a refund to the extent of the non-U.S. shareholder’s proportionate share of such tax paid by us exceeds its actual United States federal income tax liability, provided that the non-U.S. shareholder furnishes required information to the IRS on a timely basis.

Non-U.S. shareholders could incur tax under FIRPTA with respect to gain realized upon a disposition of our common shares if we are a United States real property holding corporation during a specified testing period. If at least 50% of a REIT's assets are USRPIs, then the REIT will be a United States real property holding corporation. We anticipate that we will be a United States real property holding corporation based on our investment strategy. However, if we are a United States real property holding corporation, a non-U.S. shareholder generally would not incur tax under FIRPTA on gain from the sale of our common shares if we are a "domestically controlled qualified investment entity." A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its shares are held directly or indirectly by non-U.S. shareholders. We cannot assure you that this test will be met. If our common shares are regularly traded on an established securities market, an additional exception to the tax under FIRPTA will be available with respect to our common shares, even if we do not qualify as a domestically controlled qualified investment entity at the time the non-U.S. shareholder sells our common shares. Under that exception, the gain from such a sale by such a non-U.S. shareholder will not be subject to tax under FIRPTA if:

- our common shares are treated as being regularly traded under applicable U.S. Treasury regulations on an established securities market; and
- the non-U.S. shareholder owned, actually or constructively, 5% or less of our common shares at all times during a specified testing period.

As noted above, we anticipate that our common shares will be regularly traded on an established securities market following this offering.

If the gain on the sale of our common shares were taxed under FIRPTA, a non-U.S. shareholder would be taxed on that gain in the same manner as U.S. shareholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Furthermore, a non-U.S. shareholder generally will incur tax on gain not subject to FIRPTA if:

- the gain is effectively connected with the non-U.S. shareholder's U.S. trade or business, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain; or
- the non-U.S. shareholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. shareholder will incur a 30% tax on his or her capital gains.

Information Reporting Requirements and Backup Withholding

We will report to our shareholders and to the IRS the amount of distributions we pay during each calendar year, and the amount of tax we withhold, if any. Under the backup withholding rules, a shareholder may be subject to backup withholding at a rate of 28% with respect to distributions unless the holder:

- is a corporation or qualifies for certain other exempt categories and, when required, demonstrates this fact; or
- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A shareholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the shareholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any shareholders who fail to certify their non-foreign status to us.

Backup withholding will generally not apply to payments of dividends made by us or our paying agents, in their capacities as such, to a non-U.S. shareholder provided that the non-U.S. shareholder furnishes to us or our paying agent the required certification as to its

non-U.S. status, such as providing a valid IRS Form W-8BEN or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient. Payments of the net proceeds from a disposition or a redemption effected outside the U.S. by a non-U.S. shareholder made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) generally will apply to such a payment if the broker has certain connections with the U.S. unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. shareholder and specified conditions are met or an exemption is otherwise established. Payment of the net proceeds from a disposition by a non-U.S. shareholder of common shares made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. shareholder certifies under penalties of perjury that it is not a U.S. person and satisfies certain other requirements, or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the shareholder's federal income tax liability if certain required information is furnished to the IRS. Shareholders are urged consult their own tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding.

Other Tax Consequences

Tax Aspects of Our Investments in Our Operating Partnership and Subsidiary Partnerships

The following discussion summarizes certain federal income tax considerations applicable to our direct or indirect investments in our operating partnership and any subsidiary partnerships or limited liability companies that we form or acquire (each individually a "Partnership" and, collectively, the "Partnerships"). The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as Partnerships. We will be entitled to include in our income our distributive share of each Partnership's income and to deduct our distributive share of each Partnership's losses only if such Partnership is classified for federal income tax purposes as a partnership (or an entity that is disregarded for federal income tax purposes if the entity has only one owner or member) rather than as a corporation or an association taxable as a corporation. An unincorporated entity with at least two owners or members will be classified as a partnership, rather than as a corporation, for federal income tax purposes if it:

- is treated as a partnership under the Treasury regulations relating to entity classification (the "check-the-box regulations"); and
- is not a "publicly traded" partnership.

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership (or an entity that is disregarded for federal income tax purposes if the entity has only one owner or member) for federal income tax purposes. Each Partnership intends to be classified as a partnership for federal income tax purposes and no Partnership will elect to be treated as an association taxable as a corporation under the check-the-box regulations.

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. A publicly traded partnership will not, however, be treated as a corporation for any taxable year if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly traded partnership, 90% or more of the partnership's gross income for such year consists of certain passive-type income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends (the "90% passive income exception"). Treasury regulations (the "PTP regulations") provide

limited safe harbors from the definition of a publicly traded partnership. Pursuant to one of those safe harbors (the "private placement exclusion"), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act of 1933, as amended, and (2) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in such partnership only if (1) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (2) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. Each Partnership is expected to qualify for the private placement exclusion in the foreseeable future. Additionally, if our operating partnership were a publicly traded partnership, we believe that our operating partnership would have sufficient qualifying income to satisfy the 90% passive income exception and thus would continue to be taxed as a partnership for federal income tax purposes.

We have not requested, and do not intend to request, a ruling from the IRS that the Partnerships will be classified as partnerships for federal income tax purposes. If for any reason a Partnership were taxable as a corporation, rather than as a partnership, for federal income tax purposes, we likely would not be able to qualify as a REIT unless we qualified for certain relief provisions. See "— Gross Income Tests" and "— Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case we might incur tax liability without any related cash distribution. See "— Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as shareholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

Income Taxation of the Partnerships and their Partners

Partners, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. Rather, we are required to take into account our allocable share of each Partnership's income, gains, losses, deductions, and credits for any taxable year of such Partnership ending within or with our taxable year, without regard to whether we have received or will receive any distribution from such Partnership.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of the federal income tax laws governing partnership allocations. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain, and loss are intended to comply with the requirements of the federal income tax laws governing partnership allocations.

Tax Allocations With Respect to Our Properties. Income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss ("built-in gain" or "built-in loss") is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a "book-tax difference"). Any property purchased by our operating partnership for cash initially will have an adjusted tax basis equal to its fair market value, resulting in no book-tax difference. In the future, however, our operating partnership may admit partners in exchange for a contribution of appreciated or depreciated property, resulting in book-tax differences. Such allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal

arrangements among the partners. The U.S. Treasury Department has issued regulations requiring partnerships to use a “reasonable method” for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Under certain available methods, the carryover basis of contributed properties in the hands of our operating partnership (i) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if all contributed properties were to have a tax basis equal to their fair market value at the time of the contribution and (ii) in the event of a sale of such properties, could cause us to be allocated taxable gain in excess of the economic or book gain allocated to us as a result of such sale, with a corresponding benefit to the contributing partners. An allocation described in (ii) above might cause us to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements and may result in a greater portion of our distributions being taxed as dividends. We have not yet decided what method will be used to account for book-tax differences for properties that may be acquired by our operating partnership in the future.

Basis in Partnership Interest. Our adjusted tax basis in our partnership interest in our operating partnership generally is equal to:

- the amount of cash and the basis of any other property contributed by us to our operating partnership;
- increased by our allocable share of our operating partnership’s income and our allocable share of indebtedness of our operating partnership; and
- reduced, but not below zero, by our allocable share of our operating partnership’s loss and the amount of cash distributed to us, and by constructive distributions resulting from a reduction in our share of indebtedness of our operating partnership.

If the allocation of our distributive share of our operating partnership’s loss would reduce the adjusted tax basis of our partnership interest below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce our adjusted tax basis below zero. To the extent that our operating partnership’s distributions, or any decrease in our share of the indebtedness of our operating partnership, which is considered a constructive cash distribution to the partners, reduce our adjusted tax basis below zero, such distributions will constitute taxable income to us. Such distributions and constructive distributions normally will be characterized as long-term capital gain.

Depreciation Deductions Available to Our Operating Partnership. To the extent that our operating partnership acquires its hotels in exchange for cash, its initial basis in such hotels for federal income tax purposes generally was or will be equal to the purchase price paid by our operating partnership. Our operating partnership’s initial basis in hotels acquired in exchange for units in our operating partnership should be the same as the transferor’s basis in such hotels on the date of acquisition by our operating partnership. Although the law is not entirely clear, our operating partnership generally will depreciate such depreciable hotel property for federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors. Our operating partnership’s tax depreciation deductions will be allocated among the partners in accordance with their respective interests in our operating partnership, except to the extent that our operating partnership is required under the federal income tax laws governing partnership allocations to use a method for allocating tax depreciation deductions attributable to contributed properties that results in our receiving a disproportionate share of such deductions.

Sale of a Partnership’s Property

Generally, any gain realized by a Partnership on the sale of property held by the Partnership for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain or loss recognized by a Partnership on the disposition of contributed properties will be allocated first to the partners of the Partnership who contributed such properties to the extent of their built-in gain or loss on those properties for federal income tax purposes. The partners’ built-in gain or loss on such contributed properties will equal the difference between the

partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution, subject to certain adjustments. Any remaining gain or loss recognized by the Partnership on the disposition of the contributed properties, and any gain or loss recognized by the Partnership on the disposition of the other properties, will be allocated among the partners in accordance with their respective percentage interests in the Partnership.

Our share of any gain realized by a Partnership on the sale of any property held by the Partnership as inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon our ability to satisfy the income tests for REIT status. See "— Gross Income Tests." We do not presently intend to acquire or hold or to allow any Partnership to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of our or such Partnership's trade or business.

Sunset of Reduced Tax Rate Provisions

Several of the tax considerations described herein are subject to a sunset provision. The sunset provisions generally provide that for taxable years beginning after December 31, 2010, certain provisions that are currently in the Code will revert back to a prior version of those provisions. These provisions include provisions related to the reduced maximum income tax rate for long-term capital gains of 15% (rather than 20%) for taxpayers taxed at individual rates, the application of the 15% tax rate to qualified dividend income, and certain other tax rate provisions described herein. The impact of this reversion is not discussed herein. Consequently, prospective shareholders are urged to consult their own tax advisors regarding the effect of sunset provisions on an investment in our common shares.

State, Local and Foreign Taxes

We and/or you may be subject to taxation by various states, localities and foreign jurisdictions, including those in which we or a shareholder transacts business, owns property or resides. The state, local and foreign tax treatment may differ from the federal income tax treatment described above. Consequently, you are urged to consult your own tax advisors regarding the effect of state, local and foreign tax laws upon an investment in our common shares.

ERISA CONSIDERATIONS

A fiduciary of a pension, profit sharing, retirement or other employee benefit plan, or plan, subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA, should consider the fiduciary standards under ERISA in the context of the plan's particular circumstances before authorizing an investment of a portion of such plan's assets in the common shares. Accordingly, such fiduciary should consider (i) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA, (ii) whether the investment is in accordance with the documents and instruments governing the plan as required by Section 404(a)(1)(D) of ERISA, and (iii) whether the investment is prudent under ERISA. In addition to the imposition of general fiduciary standards of investment prudence and diversification, ERISA, and the corresponding provisions of the Code, prohibit a wide range of transactions involving the assets of the plan and persons who have certain specified relationships to the plan ("parties in interest" within the meaning of ERISA, "disqualified persons" within the meaning of the Code). Thus, a plan fiduciary considering an investment in our common shares also should consider whether the acquisition or the continued holding of the shares might constitute or give rise to a direct or indirect prohibited transaction that is not subject to an exemption issued by the Department of Labor, or the DOL. Similar restrictions apply to many governmental and foreign plans which are not subject to ERISA. Thus, those considering investing in the shares on behalf of such a plan should consider whether the acquisition or the continued holding of the shares might violate any such similar restrictions.

The DOL has issued final regulations, or the DOL Regulations, as to what constitutes assets of an employee benefit plan under ERISA. Under the DOL Regulations, if a plan acquires an equity interest in an entity, which interest is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, as amended, the plan's assets would include, for purposes of the fiduciary responsibility provision of ERISA, both the equity interest and an undivided interest in each of the entity's underlying assets unless certain specified exceptions apply. The DOL Regulations define a publicly offered security as a security that is "widely held," "freely transferable," and either part of a class of securities registered under the Exchange Act, or sold pursuant to an effective registration statement under the Securities Act (provided the securities are registered under the Exchange Act within 120 days after the end of the fiscal year of the issuer during which the public offering occurred). The shares are being sold in an offering registered under the Securities Act and will be registered under the Exchange Act.

The DOL Regulations provide that a security is "widely held" only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be "widely held" because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer's control. We expect our common shares to be "widely held" upon completion of this offering.

The DOL Regulations provide that whether a security is "freely transferable" is a factual question to be determined on the basis of all relevant facts and circumstances. The DOL Regulations further provide that when a security is part of an offering in which the minimum investment is $10,000 or less, as is the case with this offering, certain restrictions ordinarily will not, alone or in combination, affect the finding that such securities are "freely transferable." We believe that the restrictions imposed under our declaration of trust on the transfer of our shares are limited to the restrictions on transfer generally permitted under the DOL Regulations and are not likely to result in the failure of the common shares to be "freely transferable." The DOL Regulations only establish a presumption in favor of the finding of free transferability, and, therefore, no assurance can be given that the DOL will not reach a contrary conclusion.

Assuming that the common shares will be "widely held" and "freely transferable," we believe that our common shares will be publicly offered securities for purposes of the DOL Regulations and that our assets will not be deemed to be "plan assets" of any plan that invests in our common shares.

Each holder of our common shares will be deemed to have represented and agreed that its purchase and holding of such common shares (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

UNDERWRITING

Barclays Capital Inc. is acting as the representative of the underwriters and the sole book-running manager of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us the respective number of common shares shown opposite its name below:

Underwriters	Number of Shares
Barclays Capital Inc.	
Total	

The underwriting agreement provides that the underwriters' obligation to purchase common shares depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all of the common shares offered hereby (other than those common shares covered by their option to purchase additional shares as described below), if any of the shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the shares.

	No Exercise	Full Exercise
Per Share		
Total		

The representative of the underwriters has advised us that the underwriters propose to offer the common shares directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. After the offering, the representative may change the offering price and other selling terms. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The expenses of the offering that are payable by us are estimated to be $ (excluding underwriting discounts and commissions).

Option to Purchase Additional Shares

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of common shares at the public offering price less underwriting discounts and commissions. This option may be exercised if the underwriters sell more than shares in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter's underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting Section.

Lock-Up Agreements

We and our trustees and executive officers have agreed that, without the prior written consent of Barclays Capital Inc., we and they will not directly or indirectly, (1) offer for sale, sell, pledge, or

otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any common shares (including, without limitation, common shares that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the Securities and Exchange Commission and common shares that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common shares, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of the common shares, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any common shares or securities convertible, exercisable or exchangeable into common shares or any of our other securities, or (4) publicly disclose the intention to do any of the foregoing for a period of 180 days after the date of this prospectus.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of material event unless such extension is waived in writing by Barclays Capital, Inc.

Barclays Capital Inc., in its sole discretion, may release the common shares and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release common shares and other securities from lock-up agreements, Barclays Capital Inc. will consider, among other factors, the holder’s reasons for requesting the release, the number of common shares and other securities for which the release is being requested and market conditions at the time.

Offering Price Determination

Prior to this offering, there has been no public market for our common shares. The initial public offering price will be negotiated between the representatives and us. In determining the initial public offering price of our common shares, the representatives will consider:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representative may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or

maintaining the price of our common shares, in accordance with Regulation M under the Securities Exchange Act of 1934:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the common shares in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common shares or preventing or retarding a decline in the market price of the common shares. As a result, the price of the common shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common shares. In addition, neither we nor any of the underwriters make representation that the representative will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter

or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

The New York Stock Exchange

We expect to apply for the listing of our common shares for quotation on the NYSE under the symbol " ." The underwriters have undertaken to sell the common shares in this offering to a minimum of 2,000 beneficial owners in round lots of 100 or more units to meet NYSE distribution requirements for trading.

Discretionary Sales

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

Stamp Taxes

If you purchase common shares offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Relationships

Barclays Capital and certain of the underwriters and/or their affiliates may in the future engage in commercial and investment banking transactions with us in the ordinary course of their business. They expect to receive, customary compensation and expense reimbursement for these commercial and investment banking transactions. The underwriters may in the future perform investment banking and advisory services for us from time to time for which they expect to receive customary fees and expense reimbursement.

EXPERTS

The balance sheet of Chatham Lodging Trust, a development stage company, as of October 30, 2009 included in this Prospectus has been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The combined financial statements of RLJ Billerica Hotel, LLC, RLJ Brentwood Hotel, LLC, RLJ Bloomington Hotel, LLC, RLJ Dallas Hotel Limited Partnership, RLJ Farmington Hotel, LLC, and RLJ Maitland Hotel, LLC (collectively the "Initial Acquisition Hotels") as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008 included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Hunton & Williams LLP. will issue an opinion to us regarding certain matters of Maryland law, including the validity of the common shares offered by this prospectus. The underwriters have been represented by Latham & Watkins LLP, Los Angeles, California.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-11, including exhibits and schedules filed with this registration statement, under the Securities Act of 1933, as amended, with respect to our common shares to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and our common shares to be sold in this offering, reference is made to the registration statement, including the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract

or other document referred to in this prospectus are not necessarily complete and, where that contract is an exhibit to the registration statement, each statement is qualified in all respects by reference to the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the Securities and Exchange Commission, 100 F Street, N.E., Room 1580, Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you on the SEC's website www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, and will file periodic reports and proxy statements and will make available to our shareholders quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

REPORTS TO SHAREHOLDERS

We will furnish our shareholders with annual reports containing consolidated financial statements audited by our independent registered certified public accounting firm.

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REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Shareholder
Chatham Lodging Trust:

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Chatham Lodging Trust (a development stage company) at October 30, 2009 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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
November 4, 2009

CHATHAM LODGING TRUST
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET
October 30, 2009

ASSETS:	
Cash	$ 10,000
Total assets	$ 10,000
LIABILITIES AND SHAREHOLDER'S EQUITY	
Liabilities:	
Total liabilities	$ —
Shareholder's Equity:	
Common shares, $0.01 par value per share; 1,000 shares authorized; 1,000 shares issued and outstanding	10
Additional paid-in capital	9,990
Total shareholder's equity	10,000
Total liabilities and shareholder's equity	$ 10,000

The accompanying notes are an integral part of this financial statement.

CHATHAM LODGING TRUST
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENT
October 30, 2009

1. Organization

Chatham Lodging Trust (the "Company") was formed as a Maryland real estate investment trust on October 26, 2009, and intends to qualify as a real estate investment trust for U.S. Federal Income Tax purposes. The Company plans to be internally-managed and was organized to invest primarily in premium-branded upscale extended-stay, select-service, and full-service hotels. The Company expects that a significant portion of its portfolio will consist of hotels in the upscale extended-stay category, including brands such as Homewood Suites by Hilton®, Residence Inn by Marriott® and Summerfield Suites by Hyatt®.

The Company is in the development stage, has no assets other than cash and has not yet commenced operations. The Company has not entered into any contracts to acquire hotel properties or other assets. The Company is in the process of forming a subsidiary, Chatham Lodging, L.P. (the "Operating Partnership"). The Company will be the sole general partner of the Operating Partnership and plans to conduct substantially all of its business through the Operating Partnership following its formation.

The Company intends to offer for sale up to $230 million in common shares through the filing of a registration statement on Form S-11. Concurrently with the closing of its initial public offering, in a separate private placement pursuant to Regulation D under the Securities Act of 1933, the Company will sell common shares for an aggregate purchase price of $10 million to its chief executive officer, Jeffrey H. Fisher, at a price per share equal to the price to the public in the initial public offering, and without payment by the Company of any underwriting discount or commission.

2. Summary of Significant Accounting Policies

Below is a discussion of significant accounting policies as the Company prepares to commence operations and acquire hotel assets:

Basis of Presentation

The balance sheet includes all of the accounts of the Company as of October 30, 2009, presented in accordance with U.S. generally accepted accounting principles.

Use of Estimates

The preparation of the financial statement in conformity with U.S. generally accepted accounting principles 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 date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Company intends to elect to be taxed as a real estate investment trust ("REIT") for federal income tax purposes. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of the Company's 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 U.S. generally accepted accounting principles). As a REIT, the Company generally will not be subject to federal income tax to the extent it distributes qualifying dividends to its shareholders.

If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its 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 Internal Revenue Service 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 intends to organize and operate in such a manner as to qualify for treatment as a REIT.

The Company plans to lease its hotels to subsidiaries of its taxable REIT subsidiary, or TRS, Chatham TRS Holding, Inc. The TRS would be subject to federal and state income taxes and the Company would account for them, where applicable, using the asset and liability method which recognizes deferred tax assets and liabilities arising from differences between financial statement carrying amounts and income tax bases.

Organizational and Offering Costs

The Company expenses organization costs as incurred and offering costs, which include selling commissions, will be deferred and charged to shareholders' equity.

The Company will reimburse its sole shareholder for any out-of-pocket expenses to be incurred in connection with the organization of the Company and the proposed offering of common shares to the public. If the proposed offering is terminated, the Company will have no obligation to reimburse the shareholder for any organizational or offering costs.

Recently Issued Accounting Standards

In June 2009, the FASB issued an accounting standard that made the FASB Accounting Standards Codification (the "Codification") the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification has superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative. This accounting standard is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Following the issuance of this accounting standard, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. The Board will not consider Accounting Standards Updates as authoritative in their own right. Accounting Standards Updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification. The adoption of this accounting standard did not have a significant impact on the Company's financial statements.

In June 2009, the FASB issued amended guidance related to the consolidation of variable-interest entities, which requires enterprises to qualitatively assess the determination of the primary beneficiary of a variable interest entity ("VIE") based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The amendments change the consideration of kick-out rights in determining if an entity is a VIE which may cause certain additional entities to now be considered VIEs. Additionally, they require an ongoing reconsideration of the primary beneficiary and provide a framework for the events that trigger a reassessment of whether an entity is a VIE. This guidance will be effective for financial statements issued for fiscal years beginning after November 15, 2009. The Company is currently evaluating the impact of this accounting standard.

3. Shareholders' Equity

Under the Declaration of Trust of the Company, the total number of shares initially authorized for issuance is 1,000 common shares. The Board of Trustees may amend the Declaration of Trust to increase or decrease the number of authorized shares.

On October 30, 2009, the Company issued the sole shareholder of the Company 1,000 common shares at $10 per share.

4. Related Party Transactions

Jeffrey H. Fisher, the Company's Chief Executive Officer, President and Chairman of the Board of Trustees, owns 90% of Island Hospitality Management, Inc. ("IHM"), a hotel management company. The Company may enter into hotel management agreements with IHM for certain acquired hotels.

5. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through November 4, 2009, which is the date the financial statement was issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

6. Subsequent Events (unaudited)

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through December 7, 2009, which is the date the financial statement was reissued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF CHATHAM LODGING TRUST

Chatham Lodging Trust was formed on October 26, 2009. In November 2009, Chatham Lodging Trust signed an agreement to acquire six hotels for $73.5 million from wholly owned subsidiaries of RLJ Development, LLC (“RLJ”). Hotels to be acquired include the following:

Property	Rooms
Homewood Suites Billerica, Massachusetts	147
Homewood Suites Bloomington, Minnesota	144
Homewood Suites Brentwood, Tennessee	121
Homewood Suites Dallas, Texas	137
Homewood Suites Farmington, Connecticut	121
Homewood Suites Maitland, Florida	143
Total rooms	813

The acquisition will be funded from proceeds of the Company’s planned underwritten common share offering of up to $230 million and a concurrent $10 million private placement to Jeffrey H. Fisher. The $200 million common share offering assumes that the underwriter’s option to purchase up to $30 million of additional common shares to cover any over-allotments is not exercised. The proceeds of the common share offering and the private placement will be contributed to Chatham Lodging, L.P. (the “Partnership”), in exchange for limited partnership interests in the Partnership. Together these transactions are referred to as the “Offering”. Chatham Lodging Trust and the Partnership are herein referred to as the “Company”. No debt will be issued or assumed in connection with the acquisition of the hotels. The hotels will be managed by Promus Hotels, Inc. (“Promus”), an affiliate of Hilton Hotels Corporation, and are subject to franchise agreements with Promus. The hotels are collectively referred to as the “Initial Acquisition Hotels”.

The unaudited pro forma condensed consolidated financial information of the Company includes the unaudited pro forma condensed consolidated balance sheet as of September 30, 2009 and the unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2009 and the year ended December 31, 2008. The unaudited pro forma condensed consolidated balance sheet assumes that the purchase of the Initial Acquisition Hotels and the Offering occurred on September 30, 2009 and is based on the Company’s audited balance sheet as of October 30, 2009 and the Initial Acquisition Hotels’ unaudited combined statement of financial position as of September 30, 2009. The purchase price allocation is preliminary since the purchase of the Initial Acquisition Hotels is probable but not certain and the Company is in the process of obtaining certain information to support the allocations. The unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2009 and the year ended December 31, 2008 assumes that the closing of the purchase of the Initial Acquisition Hotels, the Offering and the formation of the Company (the “Company Formation”) occurred on January 1, 2008 and is based on the unaudited combined statement of operations for the Initial Acquisition Hotels for the nine months ended September 30, 2009 and the audited combined statement of operations for the Initial Acquisition Hotels for the year ended December 31, 2008.

In management’s opinion, all material adjustments necessary to reflect the effects of the Offering, the purchase of the Initial Acquisition Hotels and the Company Formation have been made. The unaudited pro forma financial information does not purport to represent what the Company’s results of operations or financial condition would actually have been if these transactions had in fact occurred at the beginning of the periods presented, or to project the Company’s results of operations or financial condition for any future period. In addition, the unaudited pro forma financial information is based upon available information and upon assumptions and estimates, some of which are set forth in the notes to the unaudited pro forma financial information and which the Company believes are reasonable under the circumstances. The unaudited pro forma financial information and accompanying notes should be read in conjunction with the Company’s audited balance sheet as of October 30, 2009 included in its Form S-11 as well as the Initial Acquisition Hotels’ combined financial statements and notes thereto.

CHATHAM LODGING TRUST

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2009

	Chatham Lodging Trust (Note a)	Offering (Note b)	Initial Acquisition Hotels (Note c)	Pro Forma Adjustments (Note d)	Pro Forma Chatham Lodging Trust
	(In thousands, except share and per share data)				
ASSETS					
Investment in hotels, net	$ —	$ —	$ 73,500	$ —	$ 73,500
Cash and cash equivalents	10	193,990	(73,472)	(815)	119,713
Prepaid and other	—	—	49	—	49
Deferred and other	—	—	360	—	360
Total assets	$ 10	$ 193,990	$ 437	$ (815)	$ 193,622
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable and accrued expenses	$ —	$ —	$ 437	$ —	$ 437
Debt	—	—	—	—	—
Total liabilities	—	—	437	—	437
Shareholders' equity:					
Common shares, $0.01 par value, 1,000 shares authorized, 1,000 shares issued and outstanding, respectively	—	—	—	—	—
Additional paid-in capital	10	193,990	—	—	194,000
Distributions in excess of earnings	—	—	—	(815)	(815)
Total shareholders' equity	10	193,990	—	(815)	193,185
Total liabilities and shareholders' equity	$ 10	$ 193,990	$ 437	$ (815)	$ 193,622

See Notes to Unaudited ProForma Condensed Consolidated Statements of Operations

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands, except share data)

The accompanying Pro Forma Balance Sheet as of September 30, 2009 is based on the Historical Balance Sheet of the Company as of October 30, 2009, adjusted to reflect the initial public offering of common shares by the Company, the concurrent private placement to Mr. Fisher, the purchase of the Initial Acquisition Hotels and application of the net proceeds as described in “Use of Proceeds.”

The Unaudited Pro Forma Condensed Consolidated Balance Sheet assumes the following occurred on September 30, 2009:

- Company Formation
- Completion of the Offering
- Completion of the purchase of the Initial Acquisition Hotels
- Payment of costs and expenses of approximately $815 related to the Initial Acquisition Hotels.

Notes and Management Assumptions:

a) Represents the Company’s audited historical balance sheet as of October 30, 2009.

b) Represents cash proceeds from the Offering, net of estimated underwriters fees of $14,000 and other transaction costs of $2,000 associated with the common share offering and the $10 repurchase of 1,000 common shares issued to Jeffrey H. Fisher upon the Company Formation.

c) Pursuant to the purchase and sale agreement for the Initial Acquisition Hotels, there will be a proration of operating results on the date of closing between the Company and RLJ and this proration is not reflected in the pro forma adjustments. Other than the assets and liabilities described in notes 2 and 4 below, no other assets and liabilities will be acquired pursuant to the purchase and sale agreement between the Company and RLJ. The following represents the fair value of assets and liabilities acquired in the Initial Acquisition Hotels based on the unaudited combined statement of financial position of the Initial Acquisition Hotels at September 30, 2009:

1. Investment in hotels of $73,500 is recorded at cost and depreciated using the straight line method over the estimated useful lives of the assets (5 years for furniture and equipment, 15 years for land improvements and 40 years for buildings and improvements). No intangible assets are expected to be recognized in connection with the purchase of the Initial Acquisition Hotels based on the estimated values of the identifiable assets acquired. The allocation of the purchase price to each individual Initial Acquisition Hotel is as follows:

Property	Purchase Price Allocation	Land	Building	Furniture & Equipment
Homewood Suites Billerica, Massachusetts	$ 12,550	$ 1,757	$ 10,291	$ 502
Homewood Suites Bloomington, Minnesota	18,000	2,520	14,760	720
Homewood Suites Brentwood, Tennessee	11,250	1,575	9,225	450
Homewood Suites Dallas, Texas	10,700	1,498	8,774	428
Homewood Suites Farmington, Connecticut	11,500	1,610	9,430	460
Homewood Suites Maitland, Florida	9,500	1,330	7,790	380
Total purchase price	$ 73,500	$ 10,290	$ 60,270	$ 2,940

2. Prepaid and other assets consisting of prepaid real estate taxes and property taxes of $49.

3. Deferred franchise costs of $360. The deferred franchise fees will be amortized over the term of the new franchise agreements, which is 15 years from the closing of the purchase of the Initial Acquisition Hotels.

4. Accounts payable and accrued expenses of $437, comprised of accrued real estate and personal property taxes of $412 and $25 in advance deposits.

d) Represents the costs expected to be incurred by the Company to complete the purchase of the Initial Acquisition Hotels:

1. Costs associated with due diligence involving the Initial Acquisition Hotels of $415.

2. Legal costs of $225.

3. Accounting fees of $175 for services related to the audit and review of the Initial Acquisition Hotels.

CHATHAM LODGING TRUST

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

	Chatham Lodging Trust (Note a)	Initial Acquisition Hotels (Note b)	Pro Forma Adjustments	Pro Forma Chatham Lodging Trust
		(In thousands, except share and per share data)		
Revenue:				
Hotel operating:				
Rooms	$ —	$ 16,187	$ —	$ 16,187
Other	—	414		414
Total revenue	—	16,601	—	16,601
Expenses:				
Operating Expenses:				
Rooms	—	3,153		3,153
Other	—	1,238		1,238
General and administrative	—	3,445		3,445
Sales and marketing fees	—	1,522		1,522
Franchise fees	—	647	18 c	665
Management fees	—	357		357
Depreciation	—	1,956	807 d	2,763
Property taxes	—	956		956
Corporate general and administrative	—	—	3,434 e	3,434
Total expenses	—	13,274	4,259	17,533
Operating income (loss)	—	3,327	(4,259)	(932)
Interest expense	—	(2,683)	2,683 f	—
Income (loss) from continuing operations before income taxes	—	644	(1,576)	(932)
Income taxes	—	—	—	—
Income (loss) from continuing operations	$ —	$ 644	$ (1,576)	$ (932)

See Notes to Unaudited ProForma Consolidated Statements of Operations

CHATHAM LODGING TRUST

**NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(in thousands)**

a) The Company was formed on October 26, 2009. As a result, there were no results of operations for the Company for the nine months ended September 30, 2009.

b) Represents the combined unaudited historical results of operations of the Initial Acquisition Hotels for the nine months ended September 30, 2009. The historical unaudited combined financial statements of the Initial Acquisition Hotels are included herein.

c) Reflects the adjustment to amortization of franchise fees based on the franchise application fees paid of $360 and the remaining terms of the new franchise agreements, which is 15 years from the closing of the purchase of the Initial Acquisition Hotels.

d) Reflects the net increase in depreciation expense based on the Company's cost basis in the Initial Acquisition Hotels and its accounting policy for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 5 years for furniture and equipment, 15 years for land improvements and 40 years for buildings and improvements.

e) The Company was formed on October 26, 2009 and thus there was no corporate general and administrative expense related to the Company for the nine months ended September 30, 2009. Reflects the adjustment to include corporate general and administrative expenses that the Company expects to be contractually obligated to pay, including:

1. Salaries and benefits of $803 to be paid to the executive officers of the Company, who are currently Jeffrey H. Fisher, the Chairman, President and Chief Executive Officer of the Company and Peter Willis, the Executive Vice President and Chief Investment Officer of the Company.

2. Amortization of share-based awards of $1,837 to Mr. Fisher and Mr. Willis based on a three-year vesting period.

3. Cash compensation of $197 and restricted share compensation of $372 to the Trustees.

4. Directors and officers insurance of $225.

There are certain costs which have not been included in this adjustment as they are not currently a contractual obligation or factually supportable. This adjustment does not include certain items that the Company anticipates it will incur after the Offering, such items include but are not limited to salaries and benefits for any other employee, incentive compensation for any other employee, office rent, public company related expenses and other administrative costs associated with operating the Company.

f) Reflects the decrease to interest expense associated with RLJ defeasing the existing loans upon the Initial Acquisition Hotels. RLJ is required under the terms of the purchase and sale agreement to cause the defeasance to occur on or before the closing of the purchase of the Initial Acquisition Hotels. The purchase price for the Initial Acquisition Hotels will be fully funded from equity proceeds of the Offering.

CHATHAM LODGING TRUST

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Chatham Lodging Trust (Note a)	Initial Acquisition Hotels (Note b)	Pro Forma Adjustments	Pro Forma Chatham Lodging Trust
		(In thousands, except share and per share data)		
Revenue:				
Hotel operating:				
Rooms	$ —	$ 24,105	$ —	$ 24,105
Other	—	859		859
Total revenue	—	24,964	—	24,964
Expenses:				
Operating Expenses:				
Rooms	—	4,656		4,656
Other	—	1,780		1,780
General and administrative	—	5,171		5,171
Sales and marketing fees	—	2,374		2,374
Franchise fees	—	964	24 c	988
Management fees	—	570		570
Depreciation	—	2,481	551 d	3,032
Property taxes	—	1,227		1,227
Corporate general and administrative	—	—	4,579 e	4,579
Total expenses	—	19,223	5,154	24,377
Operating income	—	5,741	(5,154)	587
Interest expense	—	(3,672)	3,672 f	—
Income from continuing operations before income taxes	—	2,069	(1,482)	587
Income taxes	—	—	—	—
Income from continuing operations	$ —	$ 2,069	$ (1,482)	$ 587

See Notes to Unaudited Pro Forma Consolidated Statements of Operations

CHATHAM LODGING TRUST

**NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008
(in thousands, except share data)**

a) The Company was formed on October 26, 2009. As a result , there were no results of operations for the Company for the year ended December 31, 2008.

b) Represents the combined audited historical results of operations of the Initial Acquisition Hotels for the year ended December 31, 2008. The historical unaudited combined financial statements of the Initial Acquisition Hotels are included herein.

c) Reflects the adjustment to amortization of franchise fees based on the franchise application fees paid of $360 and the remaining terms of the new franchise applications, which is 15 years from the closing of the purchase of the Initial Acquisition Hotels.

d) Reflects the net increase in depreciation expense based on the Company's cost basis in the Initial Acquisition Hotels and its accounting policy for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 5 years for furniture and equipment, 15 years for land improvements and 40 years for buildings and improvements.

e) The Company was formed on October 26, 2009 and thus there was no corporate general and administrative expense related to the Company for the year ended December 31, 2008. Reflects the adjustment to include corporate general and administrative expenses that the Company expects to be contractually obligated to pay, including:

1. Salaries and benefits of $1,070 to be paid to the executive officers of the Company, who are currently Jeffrey H. Fisher, the Chairman, President and Chief Executive Officer of the Company and Peter Willis, the Executive Vice President and Chief Investment Officer of the Company.

2. Amortization of share-based awards of $2,450 to Mr. Fisher and Mr. Willis based on a three-year vesting period.

3. Cash compensation of $263 and restricted share compensation of $496 to the Trustees.

4. Directors and officers insurance of $300.

There are certain costs which have not been included in this adjustment as they are not currently a contractual obligation or factually supportable. This adjustment does not include certain items that the Company anticipates it will incur after the Offering, such items include but are not limited to salaries and benefits for any other employee, incentive compensation for any other employee, office rent, public company related expenses and other administrative costs associated with operating the Company.

f) Reflects the decrease to interest expense associated with RLJ defeasing the existing loans upon the purchase of the Initial Acquisition Hotels. RLJ is required under the terms of the purchase and sale agreement to cause the defeasance to occur on or before the closing of the purchase of the Initial Acquisition Hotels. The purchase price for the Initial Acquisition Hotels will be fully funded from equity proceeds of the Offering.

REPORT OF INDEPENDENT AUDITORS

To the Shareholder of
Chatham Lodging Trust

In our opinion, the accompanying combined statements of financial position and the related combined statements of operations, of changes in member's capital and of cash flows present fairly, in all material respects, the financial position of RLJ Billerica Hotel, LLC, RLJ Brentwood Hotel, LLC, RLJ Bloomington Hotel, LLC, RLJ Dallas Hotel Limited Partnership, RLJ Farmington Hotel, LLC, and RLJ Maitland Hotel, LLC (collectively the "Initial Acquisition Hotels" or the "Hotels") at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Hotels' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia
November 30, 2009

Initial Acquisition Hotels

Combined Statements of Financial Position
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,227,649	$ 922,475
Cash held in escrow	1,470,539	2,245,185
Accounts receivable, net	524,714	633,279
Prepaid expenses and other current assets	157,262	135,613
Total current assets	3,380,164	3,936,552
Property and equipment, net	51,540,562	52,662,829
Deferred financing costs, net	127,511	192,389
Total assets	$ 55,048,237	$ 56,791,770
LIABILITIES AND MEMBER'S CAPITAL		
Current liabilities		
Current portion of mortgage notes payable	$ 1,166,841	$ 1,068,899
Accounts payable, trade	85,511	13,952
Accounts payable, management companies	275,534	302,475
Advance deposits	32,327	15,129
Accrued sales and occupancy tax	177,268	197,310
Accrued vacation	201,229	199,472
Accrued interest	237,890	243,653
Other accrued expenses	511,193	510,871
Total current liabilities	2,687,793	2,551,761
Mortgage notes payable	42,774,737	43,941,357
Total liabilities	45,462,530	46,493,118
Member's capital	9,585,707	10,298,652
Total liabilities and member's capital	$ 55,048,237	$ 56,791,770

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

Initial Acquisition Hotels

Combined Statements of Operations
For the Three Years Ended December 31, 2008

	2008	2007	2006
Net revenues			
Room revenues	$ 24,105,287	$ 24,074,091	$ 22,505,191
Other service revenues	859,176	865,378	854,348
	24,964,463	24,939,469	23,359,539
Operating expenses			
Room expenses	4,656,224	4,584,978	4,319,223
Other service expenses	1,780,142	1,759,520	1,692,791
General and administrative	5,170,572	5,034,445	5,030,768
Sales and marketing	2,374,485	2,385,135	2,167,058
Depreciation	2,480,970	2,294,127	2,049,508
Property taxes	1,227,023	1,204,138	1,215,185
Franchise fees	964,231	962,964	900,207
Management fees	570,362	562,382	508,089
	19,224,009	18,787,689	17,882,829
Operating income	5,740,454	6,151,780	5,476,710
Interest expense	(3,671,782)	(3,747,351)	(3,824,755)
Net income	$ 2,068,672	$ 2,404,429	$ 1,651,955

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

Initial Acquisition Hotels

Combined Statements of Changes in Member's Capital
For the Three Years Ended December 31, 2008

	2008	2007	2006
Member's capital beginning of year	$ 10,298,652	$ 8,115,356	$ 8,116,327
Net income	2,068,672	2,404,429	1,651,955
Distributions to RLJ Development, LLC	(2,781,617)	(1,791,537)	(1,652,926)
Contributions from RLJ Development, LLC	—	1,570,404	—
Member's capital end of year	$ 9,585,707	$ 10,298,652	$ 8,115,356

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

Initial Acquisition Hotels

Combined Statements of Cash Flows
For the Three Years Ended December 31, 2008

	2008	2007	2006
Cash flows from operating activities			
Net income	$ 2,068,672	$ 2,404,429	$ 1,651,955
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	2,480,970	2,294,127	2,049,508
Amortization of deferred financing costs	64,877	64,877	64,877
Changes in assets and liabilities			
Funding of real estate tax and insurance escrow, net	179,229	(136,877)	(107,336)
Accounts receivable	108,566	(202,678)	38,087
Prepaid expenses and other current assets	(21,649)	21,948	(66,842)
Accounts payable	44,618	(5,344)	(199,214)
Advance deposits	17,198	(13,683)	17,039
Other accrued expenses	322	(23,123)	150,329
Accrued sales and occupancy tax	(20,042)	21,854	3,910
Accrued vacation	1,757	16,617	22,392
Accrued interest	(5,763)	(5,377)	(4,947)
Net cash provided by operating activities	4,918,755	4,436,770	3,619,758
Cash flows from investing activities			
Proceeds from replacement and renovation reserves held in escrow, net	595,417	12,207	(117,642)
Advances to affiliates, net	—	(49,026)	218,432
Purchase of property and equipment	(1,358,703)	(1,818,563)	(1,264,942)
Net cash used in investing activities	(763,286)	(1,855,382)	(1,164,152)
Cash flows from financing activities			
Distributions of member's capital	(2,781,617)	(1,607,537)	(1,652,926)
Contributions of member's capital	—	5,998	—
Principal payments on mortgage notes	(1,068,678)	(993,494)	(916,489)
Net cash used in financing activities	(3,850,295)	(2,595,033)	(2,569,415)
Net increase (decrease) in cash and cash equivalents	305,174	(13,645)	(113,809)
Cash and cash equivalents, beginning of year	922,475	936,120	1,049,929
Cash and cash equivalents, end of year	$ 1,227,649	$ 922,475	$ 936,120
Supplemental disclosure of cash flow information:			
Interest paid	$ 3,612,667	$ 3,687,832	$ 3,764,842
Supplemental disclosure of non-cash financing activity:			
Conversion of payable to RLJ Development, LLC to equity	$ —	$ 1,564,406	$ —
Distribution of a receivable to RLJ Development, LLC	$ —	$ 184,000	$ —

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

1. Businesses and Organization

Description of Business

The Initial Acquisition Hotels are comprised of the following six Homewood Suites hotel properties:

RLJ Billerica Hotel, LLC	Bedford, Massachusetts	147 rooms
RLJ Brentwood Hotel, LLC	Brentwood, Tennessee	121 rooms
RLJ Bloomington Hotel, LLC	Bloomington, Minnesota	144 rooms
RLJ Dallas Hotel Limited Partnership	Dallas, Texas	137 rooms
RLJ Farmington Hotel, LLC	Farmington, Connecticut	121 rooms
RLJ Maitland Hotel, LLC	Maitland, Florida	143 rooms

The six hotel properties (collectively the “Initial Acquisition Hotels” or “Hotels”) are wholly owned by RLJ Development, LLC. RLJ Development, LLC owns and operates limited service hotels. Limited service hotels offer amenities such as limited meeting space, fitness centers, swimming pools, continental breakfast or similar services.

The Initial Acquisition Hotels operate in the hospitality and lodging industry and are subject to risks common to companies in that industry.

2. Summary of Significant Accounting Policies

Basis of Presentation

The combined financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. All intercompany balances and transactions have been eliminated in combination.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Room revenues are recognized the night of occupancy. Cash received prior to guest arrival is recorded as an advance from customers and recognized as revenue at the time of occupancy.

The Hotels also recognize revenues for food, beverage, telephone charges and various ancillary services performed at the time the service is provided. These amounts are included in other service revenues.

Accounts Receivable, net

Accounts receivable consist primarily of payments due from credit card companies and from corporate customers. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in existing accounts receivable. The Hotels record bad debt expense in general and administrative expense in the accompanying statements of operations based on an assessment of the ultimate realizability of receivables considering historical collection experience, the economic environment, and the individual circumstances of each receivable. When the Hotels determine that an account is not collectible, the account is written-off to the associated allowance for doubtful accounts.

As of December 31, 2008 and 2007, the allowance for doubtful accounts balance was $7,817 and $9,794, respectively.

Cash and Cash Equivalents

The Hotels consider all funds held in money market accounts and highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The Hotels maintain their cash accounts at various major financial institutions within the United States of America. At times, deposits may be in excess of federally insured limits. The Hotels have not experienced any losses on cash deposited with the financial institutions.

Cash Held in Escrow

The Hotels are required by certain mortgage agreements to maintain escrow accounts for real estate taxes and insurance, and by certain property management agreements and/or mortgages to maintain replacements reserves for each hotel financed. The escrow accounts for real estate taxes and insurance are determined by the lender, based on annual estimates. The Hotels' various debt and property management agreements require individual hotel properties to contribute a predetermined amount to replacement reserves based on adjusted gross revenues from the preceding month. The predetermined amounts required to be contributed range from 4% to 5%.

As of December 31, 2008 and 2007, amounts held in escrow were as follows:

	2008	2007
Insurance escrows	$ 32,133	$ 73,342
Tax escrows	443,772	569,140
Replacement and renovation reserves	994,634	1,602,703
Total	$ 1,470,539	$ 2,245,185

Financial Instruments and Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The fair value hierarchy has three levels of inputs, both observable and unobservable. Level 1 inputs include quoted market prices in an active market for identical assets or liabilities. Level 2 inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data.

The following table provides fair value information on the Hotels' financial assets and liabilities.

	Carrying Amount in Balance Sheet December 31, 2008	Fair Value December 31, 2008	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,698,188	$ 2,698,188	$2,698,188	$ —	$—
Mortgage notes payable	43,941,578	42,532,176	—	42,532,176	—

Because of their short-term nature, the carrying amount of the Hotels' current financial instruments approximates fair value as of December 31, 2008 and 2007. The fair value of long-term mortgage notes payable is based on rates available to the Hotels for debt with similar terms and maturities. As of December 31, 2008 and 2007, the fair market value of mortgage notes payable for mortgages with fixed interest rates is approximately $42,532,000 and $43,553,000 based on quoted

market prices at December 31, 2008 and December 31, 2007, respectively, as compared to the carrying value of $43,941,578 and $45,010,254, respectively.

Property and Equipment

The Hotels' property and equipment consists primarily of land, buildings, improvements and related fixtures, furniture and equipment. Property and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is computed over the estimated useful lives of the depreciable assets using the straight-line method.

When properties and/or equipment are sold or retired, their cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in operations.

Impairment of Long-Lived Assets

The Hotels periodically evaluate the recoverability of long-lived assets when events or circumstances indicate that an asset may be impaired. This evaluation consists of a comparison of the carrying value of the assets with the assets' expected future cash flows, undiscounted and without interest costs. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions and projections. If the expected future undiscounted cash flows exceed the carrying value of the asset, no impairment is recognized. If expected undiscounted cash flows are less than the carrying value then impairment is indicated. Such impairment is measured as the difference between the carrying value of long-lived assets and their fair market value. During 2008 and 2007 there were no events or changes in circumstances indicating that the carrying value of the Hotels' long-lived assets may not be recoverable.

Advances to Affiliates, net

Amounts advanced to affiliates represent short-term transfers of cash provided by and to other properties affiliated with RLJ Development, LLC in order to meet short-term cash needs. During 2007, these affiliates of the Hotels were sold and amounts owed to/from those affiliates were transferred and considered receivable/payable to RLJ Development, LLC. The Hotels recognized a non-cash contribution and distribution for this transaction.

Deferred Financing Costs

The Hotels' deferred financing costs relate to fees and costs incurred to obtain long-term financing to purchase the hotel and related properties. These costs are amortized using the straight-line method, which approximates the effective interest method, over the life of the applicable mortgage and are included as a component of interest expense. There were no capitalized deferred financing costs in 2008 or 2007. Accumulated amortization related to deferred financing costs as of December 31, 2008 and 2007 was $521,080 and $456,202, respectively. Amortization expense related to deferred financing costs for the three years ended December 31, 2008 was $64,877 a year.

Advertising Costs

The Hotels expense advertising costs as incurred. Advertising expenses were $1,410,254, $1,420,171 and $1,266,853 for the years ended December 31, 2008, 2007 and 2006, respectively, and have been included in sales and marketing expenses.

Income and Sales Taxes

No provision has been made for federal or state income taxes since the Hotels' profits and losses are reported by the individual members on their respective income tax returns.

Additionally, the Hotels collect sales, use, occupancy and similar taxes which are presented on a net basis (excluded from revenues) on the combined statements of operations.

3. Property Management Agreements

In December 2000, the Hotels entered into six separate fifteen (15) year property management agreements (the "Promus Agreements") with Promus Hotels, Inc. ("Promus") that expire in 2015 with a five-year renewal option that may be exercised by Promus. The Promus Agreements require that Promus provide all services required to operate the six hotels, located in Brentwood, TN; Bloomington, MN, Billerica, MA; Dallas, TX; Farmington CT; and Maitland, FL., including directing the day-to-day activities of the hotels and establishing all policies and procedures relating to the management and operation of the hotels.

In accordance with the Promus Agreements, Promus is required to maintain and manage the operating activities of the hotels. Accordingly, Promus initially pays for all operating expenses on behalf of the hotels and is reimbursed by withdrawing funds from the individual hotel's operating cash account. As of December 31, 2008 and 2007, $275,534 and $302,475, respectively, was due to Promus under these arrangements and have been included in accounts payable, management companies.

The Promus Agreements also include provisions for a management fee and a management incentive fee to be paid to Promus for its services. Additionally, the Promus Agreements call for a monthly franchise fee to be paid to Hilton Hotels Corporation. The management fee is computed in accordance with the Promus Agreements and is based on 2% of adjusted monthly gross revenue of the individual hotels. For the years ended December 31, 2008, 2007 and 2006, the management fees incurred by the hotels were $498,810, $497,626 and $466,105, respectively. The incentive management fee is calculated based on 10% of the adjusted net operating income from operations of the individual hotels at the end of each year. For the years ended December 31, 2008, 2007 and 2006, the incentive management fees incurred by the hotels were $71,552, $64,756, and $41,984, respectively.

Each Hotel is charged a monthly franchise fee paid to Hilton Hotels Corporation based on a percentage of the individual hotel's respective gross room revenue. For the years ended December 31, 2008, 2007 and 2006, the franchise fees for the Hotels were $964,231, $962,964, and $900,207, respectively.

4. Property and Equipment

Property and equipment at December 31, 2008 and 2007 consisted of:

	Estimated Useful Lives	2008	2007
Land	—	$ 8,882,552	$ 8,882,552
Projects-in-development	—	—	115,839
Building	39 years	44,953,448	44,857,946
Machinery, equipment and fixtures	5-15 years	26,719,714	25,340,674
Subtotal		80,555,714	79,197,011
Less: Accumulated depreciation		(29,015,152)	(26,534,182)
Property and equipment, net		$ 51,540,562	$ 52,662,829

Depreciation expense for the years ended December 31, 2008, 2007 and 2006 was $2,480,970, $2,294,127 and $2,049,508, respectively.

5. Mortgage Notes Payable

Mortgage notes payable as of December 31, 2008 and 2007 consisted of the following:

	2008	2007
Mortgage notes with fixed interest rates		
7.84%, maturing January 2011	$ 35,237,130	$ 36,090,790
8.69%, maturing December 2010	8,704,448	8,919,466
	43,941,578	45,010,256
Less current portion	1,166,841	1,068,899
Long term mortgage notes payable	$ 42,774,737	$ 43,941,357

In December 2000, the Hotels entered into a $40.5 million credit facility with a financial institution for mortgages related to five of the hotels acquired in December 2000. In April 2001, the credit facility was modified to split the five individual mortgages into two collateralized pools. The first collateralized pool consists of the mortgages to RLJ Brentwood Hotel, LLC, RLJ Dallas Hotel Limited Partnership, and RLJ Farmington Hotel, LLC and had an initial borrowing under the facility of $20.7 million, with combined principal and interest of $157,578 payable monthly. As of December 31, 2008 and 2007, the outstanding balance of the first pool was $18,010,089 and $18,446,405, respectively. The second collateralized pool, consisting of the mortgages to RLJ Billerica Hotel, LLC and RLJ Bloomington Hotel, LLC, was established with an initial borrowing under the facility of $19.8 million, with combined principal and interest of $150,726 payable monthly. As of December 31, 2008 and 2007, the outstanding balance of the second pool was $17,227,041 and $17,644,385, respectively. All related mortgage note agreements mature in January 2011. The interest rates related to the mortgages are 7.84% and are payable monthly. The mortgage note agreements include a prepayment penalty in whole or in part based on the higher of 3% of the principal amount of the note being prepaid or the present value of a series of payments as defined in the credit facility. The individual mortgages in the credit facility are collateralized by the individual hotel properties and equipment.

In December 2000, RLJ Maitland Hotel, LLC entered into a mortgage note agreement with a financial institution at an initial borrowing of $10.0 million, with monthly principal and interest payments of $81,807. The final payment on the mortgage note is due in January 2011 and bears an 8.69% fixed rate of interest. The mortgage note contains a prepayment penalty provision based on rates defined in the note agreement, related to the 10-year Treasury note rate plus premium ranging from 0.013% to 0.120% of the outstanding principal balance of the loan. The note is collateralized by the individual hotel property and equipment. The managing member of RLJ Development, LLC had personally guaranteed up to $1,346,400 of the loan, the amount of the guarantee outstanding as of December 31, 2008 and 2007, was $50,847 and $265,864, respectively. As of December 31, 2008 and 2007, the outstanding balance on the note was $8,704,448 and $8,919,466, respectively.

In accordance with all of the Hotels' mortgage agreements, including the Loan Pool Facility, mortgages may be prepaid at any time, without penalty, at the option of the borrower. The mortgage notes include financial and other covenants that require the maintenance of certain ratios. As of December 31, 2008 and 2007, the Hotels were in compliance with all covenants under the mortgage notes.

Maturities of mortgage notes payable as of December 31, 2008 are as follows:

Year	Amount
2009	$ 1,166,841
2010	1,242,949
2011	41,531,788
	$ 43,941,578

6. Guarantees and Indemnifications

The Hotels may enter into service agreements with service providers in which they agrees to indemnify the service provider against certain losses and liabilities arising from the service provider's performance under the agreement. Generally, such indemnification obligations do not apply in situations in which the service provider is grossly negligent, engages in wilful misconduct, or acts in bad faith. The Hotels believe their liabilities under such service agreements are immaterial.

7. Recent Developments

On November 16, 2009, a purchase and sale agreement was signed related to the acquisition of the Hotels by Chatham Lodging Trust for a total purchase price of $73.5 million (for all six hotels).

Initial Acquisition Hotels

Combined Statements of Financial Position
As of September 30, 2009 (Unaudited) and December 31, 2008

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,336,7660	$ 1,227,649
Cash held in escrow	1,657,6999	1,470,539
Accounts receivable, net	622,203	524,714
Prepaid expenses and other current assets	381,044	157,262
Total current assets	3,997,709	3,380,164
Property and equipment, net	49,948,308	51,540,562
Deferred financing costs, net	78,855	127,511
Total assets	54,024,872	55,048,237
LIABILITIES AND MEMBER'S CAPITAL		
Current liabilities		
Current portion of mortgage notes payable	$ 1,239,681	$ 1,166,841
Accounts payable, trade	11,834	85,511
Accounts payable, management companies	292,690	275,534
Advance deposits	24,899	32,327
Accrued sales and occupancy tax	187,674	177,268
Accrued vacation	190,178	201,229
Accrued interest	225,705	237,890
Other accrued expenses	1,099,805	511,193
Total current liabilities	3,272,466	2,687,793
Mortgage notes payable	41,837,477	42,774,737
Total liabilities	45,109,943	45,462,530
Member's capital	8,914,929	9,585,707
Total liabilities and member's capital	$ 54,024,872	$ 55,048,237

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

Initial Acquisition Hotels

Combined Statements of Operations
Unaudited Nine Month Periods Ended September 30, 2009 and 2008

	September 30, 2009 *(Unaudited)*	September 30, 2008 *(Unaudited)*
Net revenues		
Room revenues	$ 16,186,467	$ 18,675,739
Other service revenues	414,285	666,401
	16,600,752	19,342,140
Operating expenses		
Room expenses	3,152,603	3,492,952
Other service expenses	1,237,871	1,347,998
General and administrative	3,444,656	3,871,594
Sales and marketing	1,521,982	1,799,307
Depreciation	1,955,879	1,842,784
Property taxes	956,097	939,672
Franchise fees	647,459	747,030
Management fees	356,798	460,634
	13,273,345	14,501,971
Operating income	3,327,407	4,840,169
Interest expense	(2,683,065)	(2,758,158)
Net income	$ 644,342	$ 2,082,011

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

Initial Acquisition Hotels

Combined Statements of Changes in Member's Capital
Unaudited Nine Month Periods Ended September 30, 2009 and 2008

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Member's capital beginning of period	$ 9,585,707	$ 10,298,652
Net income	644,342	2,082,011
Distributions to RLJ Development, LLC	(1,315,120)	(2,590,473)
Member's capital end of period	$ 8,914,929	$ 9,790,190

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

Initial Acquisition Hotels

Combined Statements of Cash Flows
Unaudited Nine Month Periods Ended September 30, 2009 and 2008

	September 30, 2009 *(Unaudited)*	September 30, 2008 *(Unaudited)*
Cash flows from operating activities		
Net income	$ 644,342	$ 2,082,011
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,955,879	1,842,784
Amortization of deferred financing costs	48,656	48,656
Changes in assets and liabilities		
Funding of real estate tax and insurance escrow, net	(123,018)	(172,536)
Accounts receivable	(97,492)	(170,879)
Prepaid expenses and other current assets	(223,782)	16,678
Accounts payable	(56,521)	50,621
Advance deposits	(7,428)	41,086
Other accrued expenses	588,612	470,687
Accrued sales and occupancy tax	10,406	39,906
Accrued vacation	(11,051)	(11,929)
Accrued interest	(12,185)	(11,976)
Net cash provided by operating activities	2,716,418	4,225,109
Cash flows from investing activities		
Proceeds from replacement and renovation reserves held in escrow, net	(64,142)	473,780
Purchase of property and equipment	(363,625)	(726,116)
Net cash used in investing activities	(427,767)	(252,336)
Cash flows from financing activities		
Distributions of member's capital	(1,315,120)	(2,590,473)
Principal payments on mortgage notes	(864,420)	(789,535)
Net cash used in financing activities	(2,179,540)	(3,380,008)
Net decrease in cash and cash equivalents	109,111	592,765
Cash and cash equivalents, beginning of year	1,227,649	922,475
Cash and cash equivalents, end of year	$ 1,336,760	$ 1,515,240
Supplemental disclosure of cash flow information:		
Interest paid	$ 2,695,250	$ 2,770,134

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

1. Businesses and Organization

Description of Business

The Initial Acquisition Hotels are comprised of the following six Homewood Suites hotel properties:

RLJ Billerica Hotel, LLC	Bedford, Massachusetts	147 rooms
RLJ Brentwood Hotel, LLC	Brentwood, Tennessee	121 rooms
RLJ Bloomington Hotel, LLC	Bloomington, Minnesota	144 rooms
RLJ Dallas Hotel Limited Partnership	Dallas, Texas	137 rooms
RLJ Farmington Hotel, LLC	Farmington, Connecticut	121 rooms
RLJ Maitland Hotel, LLC	Maitland, Florida	143 rooms

The six hotel properties (collectively the “Initial Acquisition Hotels” or “Hotels”) are wholly owned by RLJ Development, LLC. RLJ Development, LLC owns and operates limited service hotels. Limited service hotels offer amenities such as limited meeting space, fitness centers, swimming pools, continental breakfast or similar services.

The Initial Acquisition Hotels operate in the hospitality and lodging industry and is subject to risks common to companies in that industry.

2. Summary of Significant Accounting Policies

Cash Held in Escrow

As of September 30, 2009 and December 31, 2008, amounts legally restricted and held in escrow were as follows:

	September 30, 2009 (Unaudited)	December 31, 2008
Insurance escrows	$ 13,460	$ 32,133
Tax escrows	585,463	443,772
Replacement and renovation reserves	1,058,776	994,634
Total	$ 1,657,699	$ 1,470,539

Deferred Financing Costs

The Hotels’ deferred financing costs relate to fees and costs incurred to obtain long-term financing to purchase the hotel and related properties. These costs are amortized using the straight-line method, which approximates the effective interest method, over the life of the applicable mortgage and are included as a component of interest expense. There were no capitalized deferred financing costs during the nine-month periods ended September 31, 2009 and 2008. Accumulated amortization related to deferred financing costs as of September 30, 2009 and December 31, 2008 was $569,738 and $521,080, respectively. Amortization expense related to deferred financing costs for the nine month periods ended September 30, 2009 and 2008 was $48,658.

3. Property and Equipment

Property and equipment at September 30, 2009 and December 31, 2008 consisted of:

	Estimated Useful Lives	September 30, 2009 (Unaudited)	December 31, 2008
Land	—	$ 8,882,552	$ 8,882,552
Building	39 years	44,953,448	44,953,448
Machinery, equipment and fixtures	5-15 years	27,083,339	26,719,714
Subtotal		80,919,339	80,555,714
Less: Accumulated depreciation		(30,971,031)	(29,015,152)
Property and equipment, net		$ 49,948,308	$ 51,540,562

Depreciation expense for the nine month periods ended September 30, 2009 and 2008 was $1,955,879 and $1,842,784, respectively.

4. Mortgage Notes Payable

Mortgage notes payable as of September 30, 2009 and December 31, 2008 consisted of the following:

	September 30, 2009 (Unaudited)	December 31, 2008
Mortgage notes with fixed interest rates		
7.84%, maturing January 2011	$ 34,546,641	$ 35,237,130
8.69%, maturing December 2010	8,530,517	8,704,448
	43,077,158	43,941,578
Less current portion	1,239,681	1,166,841
Long term mortgage notes payable	$ 41,837,477	$ 42,774,737

5. Recent Developments

The Hotels have performed an evaluation of subsequent events through November 30, 2009. On November 16, 2009, a purchase and sale agreement was signed related to the acquisition of the Hotels by Chatham Lodging Trust for a total purchase price of $73.5 million (for all six hotels). No other subsequent events were identified.

Shares

Common Shares

Prospectus

, 2010

Barclays Capital

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses of the sale and distribution of the securities being registered, all of which are being borne by the Registrant.

SEC registration fee	$	12,834
FINRA filing fee*		23,500
NYSE listing fee*		
Printing and engraving fees*		
Legal fees and expenses*		
Accounting fees and expenses*		
Blue Sky fees and expenses (including legal fees)*		
Transfer agent and registrar fees*		
Director and officer liability insurance policy premium*		
Miscellaneous expenses*		
Total*	$	

* To be provided by amendment.

All expenses, except the Securities and Exchange Commission registration fee and FINRA "filing" fee, are estimated.

Item 32. Sales to Special Parties.

On October 29, 2009, we issued 1,000 common shares to Jeffrey H. Fisher in connection with the formation and initial capitalization of our company for an aggregate purchase price of $10,000.

On November 3, 2009, Mr. Fisher subscribed to purchase $10,000,000 of our common shares at a price per share equal to the initial public offering price.

Item 33. Recent Sales of Unregistered Securities.

We have issued the following securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

On October 29, 2009, we issued 1,000 common shares to Jeffrey H. Fisher in connection with the formation and initial capitalization of our company for an aggregate purchase price of $10,000.

On November 3, 2009, Mr. Fisher subscribed to purchase $10,000,000 of our common shares at a price per share equal to the initial public offering price.

The shares were issued in reliance on the exemption set forth in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

Item 34. Indemnification of Trustees and Officers.

Maryland law permits a Maryland REIT to include in its declaration of trust a provision limiting the liability of its trustees and officers to the REIT and its shareholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active or deliberate dishonesty established by a final judgment as being material to the cause of action. Our declaration of trust contains a provision which limits the liability of our trustees and officers to the maximum extent permitted by Maryland law.

Our declaration of trust permits us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former trustee or officer or (b) any individual who, while a trustee or officer and at our request, serves or has served another REIT, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise as a director, trustee, officer, member, manager or partner and who is made or is threatened to be made a party to the proceeding by reason of his or her service in any such capacity, from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in any such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our declaration of trust and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of our company in any of the capacities described above and to any employee or agent of our company or a predecessor of our company. Maryland law requires us to indemnify a trustee or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity.

The Maryland General Corporation Law permits a Maryland REIT to indemnify and advance expenses to its trustees, officers, employees and agents to the same extent as permitted for directors and officers of Maryland corporations. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was a result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer has reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right if the corporation or if the director or officer was adjudged to be liable for an improper personal benefit, unless in either case a court orders indemnification and then only for expenses. In accordance with the Maryland General Corporation Law and our bylaws, our bylaws require us, as a condition to advancing expenses, to obtain (a) a written affirmation by the trustee or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and (b) a written statement by or on his or her behalf to repay the amount paid or reimbursed by us if it shall ultimately be determined that the standard of conduct was not met.

We also expect to enter into indemnification agreements with our trustees and our executive officers providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us.

We expect to obtain an insurance policy under which our trustees and executive officers will be insured, subject to the limits of the policy, against certain losses arising from claims made against such trustees and officers by reason of any acts or omissions covered under such policy in their respective capacities as trustees or officers, including certain liabilities under the Securities Act of 1933.

We have been advised that the SEC has expressed the opinion that indemnification of trustees, officers or persons otherwise controlling a company for liabilities arising under the Securities Act of 1933 is against public policy and is therefore unenforceable.

Item 35. Treatment of Proceeds from Shares Being Registered.

None of the net proceeds will be credited to an account other than the appropriate capital share account.

Item 36. Financial Statements and Exhibits.

(a) *Financial Statements.* See page F-1 for an index of the financial statements included in the Registration Statement.

(b) *Exhibits.* The following exhibits are filed as part of, or incorporated by reference into, this registration statement on Form S-11:

Exhibit Number	Exhibit Description
1.1*	Form of Underwriting Agreement by and among Chatham Lodging Trust, Chatham Lodging, L.P. and the Underwriters named therein
3.1*	Form of Amended and Restated Declaration of Trust of Chatham Lodging Trust
3.2*	Form of Bylaws of Chatham Lodging Trust
3.3*	Agreement of Limited Partnership of Chatham Lodging, L.P.
5.1*	Opinion
8.1*	Tax opinion of Hunton & Williams LLP
10.1*	Chatham Lodging Trust Equity Incentive Plan
10.2*	Form of Employment Agreement
10.3**	Subscription Agreement dated November 3, 2009 between Jeffrey H. Fisher and Chatham Lodging Trust
10.4	Purchase and Sale Agreement and Escrow Instructions for Initial Acquisition Hotels, dated November 16, 2009
21.1*	List of Subsidiaries of Chatham Lodging Trust
23.1	PricewaterhouseCoopers LLP Consent to include Report on Financial Statement of Chatham Lodging Trust
23.2	PricewaterhouseCoopers LLP Consent to include Report on Financial Statements of Initial Acquisition Hotels
23.3*	Consent (included in Exhibit 5.1)
23.4*	Hunton & Williams LLP Consent (included in Exhibit 8.1)
99.1**	Consent of Miles Berger to being named as a trustee
99.2**	Consent of Thomas J. Crocker to being named as a trustee
99.3**	Consent of Jack P. DeBoer to being named as a trustee
99.4**	Consent of C. Gerald Goldsmith to being named as a trustee
99.5**	Consent of Rolf E. Ruhfus to being named as a trustee
99.6**	Consent of Joel F. Zemans to being named as a trustee

* To be filed by amendment.

** Previously filed.

Item 37. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to trustees, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a trustee, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such

trustee, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act, and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Palm Beach, State of Florida on the 7th day of December, 2009.

CHATHAM LODGING TRUST

By: /s/ Jeffrey H. Fisher
Jeffrey H. Fisher
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 has been signed below by the following person in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jeffrey H. Fisher Jeffrey H. Fisher	Chief Executive Officer and Trustee (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	December 7, 2009

EXHIBIT INDEX

Exhibit Number	Exhibit Description
1.1*	Form of Underwriting Agreement by and among Chatham Lodging Trust, Chatham Lodging, L.P. and the Underwriters named therein
3.1*	Form of Amended and Restated Declaration of Trust of Chatham Lodging Trust
3.2*	Form of Bylaws of Chatham Lodging Trust
3.3*	Agreement of Limited Partnership of Chatham Lodging, L.P.
5.1*	Opinion
8.1*	Tax opinion of Hunton & Williams LLP
10.1*	Chatham Lodging Trust Equity Incentive Plan
10.2*	Form of Employment Agreement
10.3**	Subscription Agreement dated November 3, 2009 between Jeffrey H. Fisher and Chatham Lodging Trust
10.4	Purchase and Sale Agreement and Escrow Instructions for Initial Acquisition Hotels, dated November 16, 2009
21.1*	List of Subsidiaries of Chatham Lodging Trust
23.1	PricewaterhouseCoopers LLP Consent to include Report on Financial Statement of Chatham Lodging Trust
23.2	PricewaterhouseCoopers LLP Consent to include Report on Financial Statements of Initial Acquisition Hotels
23.3*	Consent (included in Exhibit 5.1)
23.4*	Hunton & Williams LLP Consent (included in Exhibit 8.1)
99.1**	Consent of Miles Berger to being named as a trustee
99.2**	Consent of Thomas J. Crocker to being named as a trustee
99.3**	Consent of Jack P. DeBoer to being named as a trustee
99.4**	Consent of C. Gerald Goldsmith to being named as a trustee
99.5**	Consent of Rolf E. Ruhfus to being named as a trustee
99.6**	Consent of Joel F. Zemans to being named as a trustee

* To be filed by amendment.

** Previously filed.

Exhibit 10.4

PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

between

The parties designated on Exhibit A

as Seller

and

CHATHAM LODGING TRUST

as Purchaser

Homewood Suites
35 Middlesex Turnpike
Billerica, Massachusetts 01821

Homewood Suites
2261 Killebrew Drive
Bloomington, Minnesota 55425

Homewood Suites
5107 Peter Taylor Park
Brentwood, Tennessee 37027

Homewood Suites
2747 North Stemmons Freeway
Dallas, Texas 75207

Homewood Suites
2 Farm Glen Boulevard
Farmington, Connecticut 06032

Homewood Suites
290 Southhall Lane
Maitland, Florida 32751

November 16, 2009

PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

This PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS ("Agreement") is dated as of this 16th day of November, 2009 ("Effective Date"), and is made by and between each of the parties named on Exhibit A hereto (each, individually, "Seller" and, collectively, "Sellers"), and CHATHAM LODGING TRUST, a Maryland real estate investment trust ("Purchaser").

RECITALS

A. Sellers are the owners of all of the Properties, with the specific owner of each Property as set forth on Exhibit A.

B. Purchaser desires to purchase all of the Properties and to acquire all of Sellers' respective right, title and interest in and to the Properties, on the terms and conditions set forth in this Agreement.

C. Sellers desire to sell to Purchaser all of the Properties and to convey to Purchaser all of their respective right, title and interest in the Properties, on the terms and conditions set forth in this Agreement.

D. All capitalized terms used in this Agreement and not otherwise defined shall have the meanings ascribed to such terms in Article I.

AGREEMENT

NOW, THEREFORE, for valuable consideration, including the promises, covenants, representations and warranties hereinafter set forth, the receipt and adequacy of which are hereby acknowledged, the parties, intending to be legally and equitably bound, agree as follows.

I.

DEFINITIONS

As used in this Agreement, the following terms have the meanings ascribed to them in this Article I:

"Alcoholic Beverages." With respect to each Property, all unopened wine, beer and other alcoholic beverages located at the Real Property and held for consumption and/or sale in the operation of the Hotel.

"Assignment of Contracts." As set forth in Section 5.2(d) hereof.

"Assignment of Intangibles." As set forth in Section 5.2(c) hereof.

“Authorizations” shall mean all licenses, permits and approvals required by any governmental or quasi-governmental agency, body or officer for the ownership, operation and use of the Property or any part thereof.

“Bill of Sale.” As set forth in Section 5.2(b) hereof.

“Bookings.” With respect to each Property, all contracts or reservations for the use or occupancy of guest rooms, meeting rooms and/or banquet facilities of the Hotel for periods on and after the Closing Date which are made in Seller’s ordinary course of business for the Hotel.

“Casualty.” As set forth in Section 12.13.1 hereof.

“Casualty Notice.” As set forth in Section 12.13.1 hereof.

“Casualty Renovation Cost.” As set forth in Section 12.13.1 hereof.

“Close of Escrow.” As set forth in Section 5.1 hereof.

“Closing Date.” As set forth in Section 5.1 hereof.

“Contracts.” With respect to each Property, all leases of furniture and equipment, all space leases, and all contracts and agreements used and/or executed in connection with the construction, ownership, operation, occupancy and/or maintenance of the Hotel and/or the Property, together with (a) all contracts, agreements and other obligations terminable on not more than thirty (30) days prior notice without fee or penalty, (b) all Bookings, gift certificates, and similar promotional arrangements entered into by Seller prior to the Effective Date, and (c) all contracts and agreements entered into by Seller in the ordinary course of business, but only to the extent expressly permitted, and disclosed to Purchaser as required, by the terms of this Agreement, but excluding, in each case, the Franchise Agreement, provided Purchaser shall have the right, by notice delivered to Seller during the Due Diligence Period, to require that, by Close of Escrow, Seller terminate or give notice of termination with respect to any or all Contracts that can be terminated without penalty, or with penalty if Purchaser agrees to assume the penalty. All of the Material Contracts in effect as of the Effective Date are described on Exhibit “C” attached hereto.

“Cooperating Party.” As set forth in Section 12.5 hereof.

“Cut-Off Time.” As set forth in Section 5.5.4 hereof.

“Due Diligence Materials.” As set forth in Section 4.3 hereof.

“Due Diligence Period.” As set forth in Section 4.3 hereof.

“Earnest Money Deposit.” As set forth in Section 2.2.1 hereof.

“Environmental Damages.” As set forth in Section 4.4.1(j) hereof.

“Environmental Requirements.” As set forth in Section 4.4.1(k) hereof.

“Escrow.” As set forth in Section 3.1 hereof.

“Escrow Holder.” Chicago Title Insurance Company

“Exchangor.” As set forth in Section 12.15 hereof.

“Excluded Assets.” With respect to each Property, the Proprietary Computer Systems, the Excluded Documents, cash, cash equivalents, checks and other funds, including, without limitation, till money, house banks, Seller’s Accounts Receivable, notes, securities and other evidence of indebtedness held at the Hotel as of the Cut-Off Time, and balances on deposit to the credit of Seller with banking institutions, all of which shall be retained by Seller.

“Excluded Documents.” With respect to each Property, all (a) internal memoranda, correspondence, analyses, documents or reports prepared by or for Seller or any affiliate of Seller in connection with the sale of the Property or otherwise, including, without limitation, tax returns or financial statements of Seller (exclusive of operating statements of the Hotel which shall be available for review by Purchaser) for or in connection with its ownership or operation of the Property (but excluding any historical sales/customer data used in the ordinary course of business which shall be provided to Purchaser), (b) communications between Seller or any affiliate and its attorneys or other agents or representatives, (c) employee personnel files of Seller and the manager of the Hotel, (d) appraisals, assessments or other valuations of the Property in the possession of Sellers, (e) original bills, invoices, receipts and checks relating to expenses incurred prior to the Cut-Off Time (provided that Purchaser shall be entitled to copies of such items), and (f) any confidential or proprietary information of any Seller in Seller’s possession, in each case however embodied.

“Food Inventory.” With respect to each Property, all unopened food, food stuffs, menu stock and non-alcoholic beverages located at the Real Property and held for consumption and/or sale in the operation of the Hotel.

“Franchise Agreement.” With respect to each Property, the franchise agreement to be entered into by Purchaser with Franchisor at or prior to Closing or, if an existing franchise agreement is being assumed by Purchaser pursuant to the election of Franchisor, then the assumed franchise agreement from and after Closing.

“Franchisor.” With respect to each Property, the franchisor having entered into an existing franchise agreement or which will enter into a new Franchise Agreement.

“Good Funds.” A deposit of cashier’s check, certified funds, or confirmed wire transfer of funds.

“Hazardous Materials.” As set forth in Section 4.4.1(l) hereof.

“Hotel.” With respect to each Property, the hospitality business (including restaurant and lounge services and businesses) operated and conducted by Seller on the Real Property.

“Improvements.” With respect to each Property, the buildings, structures, and other permanent improvements located on the Land, including, without limitation, electrical

distribution systems, HVAC systems, walkways, driveways, parking lots, recreational facilities, plumbing, swimming pool, lighting, and mechanical equipment and fixtures installed thereon, and all rights, benefits and privileges appurtenant thereto.

"Intangible Property." With respect to each Property, all (a) fictitious business names and logos used by Seller in the operation of the Hotel and which are identified exclusively with the Hotel, but excluding the franchise proprietary names, (b) local telephone and facsimile exchange numbers identified exclusively with the Hotel, (c) transferable certificates (including the Certificate of Occupancy for the Real Property), licenses (including liquor licenses, to the extent transferable), permits and warranties now in effect with respect to the Property (specifically excluding, however the franchise name for the Hotel) at no cost to Seller, (d) internet sites and names associated with each hotel (URLs), (e) plans, specifications and surveys and (f) all other intangible property located at the Real Property and used by Seller exclusively in connection with the ownership and operation of the Hotel, but excluding the Excluded Assets.

"Intermediary." As set forth in Section 12.15.3 hereof.

"Inventory." With respect to each Property, all unopened operating inventories, materials and supplies used in connection with the operation of the Hotel and located thereat, including linens, bath towels, paper goods and guest supplies, and all gift shop inventory owned by Seller, including without limitation, Alcoholic Beverages.

"IPO Condition." As set forth in Section 8.2(d) hereof.

"Land." With respect to each Property, the land, as more particularly described on Exhibit "B" attached hereto and upon which the Improvements are located, including all easements, rights-of-way, strips, zones, licenses, transferable hereditaments, privileges, tenements and appurtenants belonging to the Land including any development rights, water rights and mineral rights, and any right or interest in any open or proposed highways, streets, roads, avenues, alleys, easements, strips, gores and rights-of-way in, across, in front of, contiguous to, abutting or adjoining the Land, and other rights and benefits running with the Land and/or the owner of the Land.

"Liabilities." As set forth in Section 12.15.2 hereof.

"Liquor Licenses." With respect to each Property, the liquor licenses relating to the operation of the restaurant and lounge businesses at the Real Property, as described in Section 2.4 hereof.

"Management Agreement" With respect to each Property, the management agreement with a third-party manager currently in existence.

"Material Contracts." With respect to each Property, those Contracts which require more than thirty (30) days' notice of termination or the payment of a fee or penalty in connection with such termination or which involve payment obligations by any Seller or third-party manager in excess of Fifty Thousand Dollars ($50,000.00).

"Non-Foreign Affidavit." As set forth in Section 5.2(e) hereof.

“Notice.” As set forth in Article XI hereof.

“Opening of Escrow.” As set forth in Section 3.1 hereof.

“PCA Report.” As set forth in Section 4.3.9 hereof.

“Permitted Exceptions.” As set forth in Section 4.2 hereof.

“Personal Property.” With respect to each Property, all (a) keys and combinations to all doors, cabinets, enclosures and other locks on or about the Real Property, (b) furniture, equipment, appliances, televisions, telephone systems, artwork, machinery, tools, trade fixtures, linens, towels, utensils, china, glassware, and theme park tickets and other personal property owned by Seller, located on the Real Property, including those used in the operation of any restaurants and other ancillary hotel operations, and which are used exclusively in connection with the operation of the Hotel and/or the Real Property, (c) copies of files maintained or generated by Seller and/or Seller’s Hotel manager in the course of, and related to, the operation of the Hotel (excluding the Excluded Documents and other materials proprietary to Seller) which are located on the Real Property, (d) the Restaurant Equipment, (e) the Food Inventory, (f) any vehicles owned by Seller and used in the operation of the Hotel, (g) to the extent transferable to Purchaser, the Liquor License, and (h) all other personal property located at the Real Property with respect to which Seller is the owner thereof and which is used by Seller exclusively in connection with the ownership and operation of the Hotel and/or the Real Property; but excluding, however, (i) the Excluded Assets, (ii) the personal property owned by any tenant or guest on the Real Property, (iii) all refunds and claims for refunds for real property and personal property taxes in connection with the Property for any period prior to the Close of Escrow, and (iv) all tax and utilities and other deposits.

“Physical Condition.” A structural or environmental defect or defects identified by an independent and qualified structural or environmental consultant (“Consultant”) in a property condition assessment report or an environmental site assessment report issued by such Consultant (either, an “Inspection Report”).

“Property.” With respect to each Seller, the Improvements, the Hotel, the Personal Property, the Inventory, and the Intangible Property owned by such Seller.

“Proprietary Computer Systems.” With respect to each Property, the computer software, hardware, programs, processes and procedures set forth for such Property on Exhibit “C” attached hereto.

“Proprietary Information.” As set forth in Section 12.18 hereof.

“Purchase Price.” As set forth in Section 2.2 hereof.

“Real Property.” With respect to each Property, the Land and the Improvements.

“Registration Statement.” As set forth in Section 8.2(d) hereof.

“Reports. As set forth in Section 4.4.1(e) hereof.

"Restaurant Equipment." With respect to each Property, all equipment, furniture, fixtures, utensils, glassware, silverware and china used in connection with the operation of all restaurants and lounges on the Real Property.

"Seller's Accounts Receivable." With respect to each Property, all accounts receivable and other sums owing Seller in connection with the operation of the Hotel prior to the Close of Escrow existing on and prior to the Close of Escrow.

"Survey." As set forth in Section 4.2 hereof.

"Title Commitment." As set forth in Section 4.1 hereof.

"Title Insurer." Chicago Title Insurance Company, 1129 20th Street, NW, Suite 300, Washington, DC 20036

"Title Policy." As set forth in Section 4.2 hereof.

"WARN Act." As set forth in Section 6.3 hereof.

II.

SALE AND PURCHASE OF PROPERTY

2.1 Purchase of Property. As of the Close of Escrow, and subject to the terms and conditions of this Agreement, each Seller shall sell, assign, convey, transfer and deliver to Purchaser, and Purchaser shall purchase and acquire from each Seller, such Seller's fee title in the Improvements, good and marketable title in the Land and the Personal Property and the Inventory, and all of such Seller's right, title and interest in and to the Contracts, and the Intangible Property, free and clear of all monetary liens and encumbrances (other than the Contracts and the Permitted Exceptions), at the purchase price provided in Section 2.2 hereof. For the avoidance of doubt, this transaction is for a purchase and sale of all, and not less than all, of the Properties owned by the Sellers.

2.2 Purchase Price and Terms of Payment. The aggregate purchase price for the Properties ("Purchase Price") shall be Seventy-three Million Five Hundred Thousand Dollars ($73,500,000), allocated as indicated on Exhibit A-1 (which allocation shall be incorporated into Exhibit A-1 by not later than ten (10) days following the date hereof), and shall consist of and be payable as follows:

2.2.1 Earnest Money Deposit. Within two (2) business days following the Effective Date, Purchaser shall deliver to Escrow Holder, in Good Funds, the sum of One Million Five Hundred Thousand Dollars ($1,500,000) (together with all interest accrued thereon, and the Additional Deposit, if delivered, the "Earnest Money Deposit"). The Earnest Money Deposit shall be fully refundable to Purchaser if Purchaser elects to terminate this Agreement for any reason on or before the 30th day following the Effective Date ("Due Diligence Period"). If Purchaser has not elected to terminate this Agreement and cancel the Escrow prior to the later of (i) the end of the Due Diligence Period and (ii) the end of the Limited Due Diligence Period, if any, then, within two (2) business days, Purchaser shall increase the Earnest Money Deposit to

Two Million Five Hundred Thousand Dollars ($2,500,000) (without regard to any interest earnings, provided that any interest earned thereon shall become part of the Earnest Money Deposit) by delivery to Escrow Holder of the additional sum of One Million Dollars ($1,000,000) (the "Additional Deposit") in Good Funds. In the event of any failure by Purchaser to timely deliver the Additional Deposit, if Purchaser has not remedied such failure within one (1) business day following written notice of such failure from Seller to Purchaser, Seller shall have the absolute right by written notice to Purchaser, given at any time prior to the posting of the Additional Deposit, to terminate this Agreement, whereupon Seller shall be entitled to receive the Earnest Money Deposit. Upon expiration of the later of (i) the Due Diligence Period and (ii) the Limited Due Diligence Period, if any, unless Purchaser has timely terminated this Agreement, the Earnest Money Deposit shall thereafter be non-refundable to Purchaser, except (a) in the event of a material default by Seller of its obligations under this Agreement that is not cured within any applicable cure period provided in this Agreement, (b) upon the failure of a condition precedent to Purchaser's obligations as set forth in this Agreement, or (c) as otherwise specifically provided in this Agreement. The Earnest Money Deposit shall be applied to the Purchaser Price on the Closing Date in the event Closing occurs.

2.2.2 Existing Indebtedness. The Properties shall be sold free and clear of any existing indebtedness.

2.2.3 Balance of Purchase Price. Not later than 11:00 a.m. Washington, DC time on the Closing Date, Purchaser shall deposit with Escrow Holder, in Good Funds, the balance of the Purchase Price, reduced or increased by such amounts required to take into account by such prorations, credits, costs or other adjustments which are required by this Agreement and which can be computed and determined as of the time for the required deposit hereunder.

2.3 Assumption of the Contracts. As additional consideration, Purchaser shall, on and as of the Close of Escrow, at its sole cost and expense, assume and agree to pay all sums and perform, fulfill and comply with all other covenants and obligations which are to be paid, performed and complied with by Sellers under the Contracts, that Purchaser is, pursuant to the provisions of this Agreement, required to assume, which first arise or accrue on and after the Closing Date.

2.4 Liquor Licenses and Alcoholic Beverages. Seller will cooperate in all reasonable respects (which shall include, without limitation, supplying information known to Seller and execution of such documents as may be legally required) with Purchaser in connection with Purchaser's application for transfer of the Liquor License to Purchaser or issuance of new liquor licenses. If Purchaser is unable to obtain the transfer of the Liquor License or issuance of new liquor licenses (temporary or permanent) prior to the Closing, provided that Purchaser has taken all commercially reasonable measures to obtain cause such transfer or obtain such new license, then, on the Closing Date, Seller shall cause the current licensee of the applicable Hotel ("License Holder") enter into a lease, concession or management agreement with Purchaser, to the extent legally permissible, whereby License Holder shall, for a period not to exceed ninety (90) days, operate the liquor concessions at the Hotel under Seller's or License Holder's existing liquor license at no cost or expense to Purchaser pending the transfer or issuance of the Liquor License to Purchaser. Purchaser shall indemnify, defend and hold the License Holder harmless

from and against any and all claims, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) arising in connection with such operation, except to the extent of any negligence or willful misconduct of License Holder or any of its agents or employees in such respect, and provide insurance coverage naming License Holder as an additional named insured.

III.

ESCROW

3.1 Opening of Escrow. Purchaser and Sellers shall promptly open an escrow ("Escrow") with Escrow Holder by depositing with Escrow Holder the Earnest Money Deposit and three (3) copies of this Agreement duly executed (in counterparts or otherwise) by Sellers and Purchaser. The time when Escrow Holder so receives the Earnest Money Deposit and the copies of this Agreement, fully executed by the parties and executes and delivers copies thereof to Sellers and Purchaser, shall be deemed the "Opening of Escrow." Purchaser and Sellers shall execute and deliver to Escrow Holder, in a timely fashion, such instruments and funds as are reasonably necessary to close the Escrow and consummate the sale and purchase of the Property (or the exchange thereof, if applicable) in accordance with the terms and provisions of this Agreement.

3.2 Escrow Holder's General Provisions. In the event of any conflict between the provisions of the typed portion of this Agreement and Escrow Holder's General Provisions (if any), the provisions of the typed portion of this Agreement shall be controlling and the General Provisions will be deemed amended accordingly.

3.3 Additional Escrow Holder Requirements. If there are any requirements imposed by Escrow Holder relating to the duties or obligations of Escrow Holder, or if Escrow Holder requires any other additional instructions, the parties agree to make such deletions, substitutions and additions to this Agreement which do not cause more than a ministerial or *de minimis* change to this Agreement or its intent. Any such changes requested by Escrow Holder shall be subject to written approval of the parties, which approval shall not be unreasonably withheld or conditioned.

3.4 Deposit of Funds. Except as otherwise provided in this Agreement, all funds deposited into the Escrow by Purchaser shall be immediately deposited by Escrow Holder into Treasury Bills or other short-term United States Government obligations, in repurchase contracts for the same, or in a federally insured money market account, subject to the control of Escrow Holder in a bank or savings and loan association, or such other institution approved by Purchaser; provided, however, that such funds must be readily available as necessary to comply with the terms of this Agreement and Escrow Holder's escrow instructions (including the return of the Earnest Money Deposit, or any portion thereof then on deposit with Escrow Holder, to Purchaser in accordance with this Agreement), and for the Escrow to close within the time specified in Section 5.1 of this Agreement. Except as may be otherwise specifically provided herein, interest on amounts placed by Escrow Holder in any such investments or interest bearing accounts shall accrue to the benefit of Purchaser, and Purchaser shall promptly provide to Escrow Holder Purchaser's Tax Identification Number.

3.5 Release of Funds by Escrow Holder. Escrow Holder's obligation, if any, under this Agreement to release the Earnest Money Deposit, and any other funds, prior to the Close of Escrow is subject to such funds having cleared through the bank, savings and loan, or other financial institution on which such funds are drawn. Escrow Holder shall make such payments only in strict accordance with the provisions of this Agreement, and Purchaser and Sellers agree to save and hold Escrow Holder harmless in disbursing and releasing the funds as specified in this Agreement. Purchaser and Sellers represent to Escrow Holder that the release instructions set forth in this Agreement are made of their own free will, under no duress, and with full understanding of the consequences thereof, not relying on any information furnished or statements made by Escrow Holder.

IV.

CONDITION OF TITLE

4.1 Title Commitment. Within five (5) days after the Opening of Escrow, Escrow Holder, at Purchaser's sole cost and expense, shall cause to be furnished to Purchaser, with a copy to Sellers, a current commitment for a 2006 A.L.T.A. Owner's Policy of Title Insurance (standard coverage) for each Property issued by Title Insurer ("Title Commitment") reflecting the status of title to the Real Property, and all exceptions, including easements, licenses, restrictions, rights-of-way, leases, covenants, reservations and other conditions, if any, affecting the Real Property, which would appear in a 2006 A.L.T.A. Owner's Policy of Title Insurance (standard coverage) if used, and committing to issue the 2006 A.L.T.A. Owner's Policy of Title Insurance (standard coverage) to Purchaser for the Real Property and the Improvements in the full amount of the Purchase Price. Accompanying the Title Commitment, Escrow Holder shall cause to be furnished to Purchaser, to the extent available, legible copies of the documents affecting the Real Property referred to in the Title Commitment.

4.2 Title to the Real Property. Effective as of the Closing Date, but conditioned upon the Close of Escrow, Title Insurer shall issue to Purchaser for each Property Title Insurer's 2006 A.L.T.A. Owner's Policy of Title Insurance (standard coverage) ("Title Policy"), with the liability under the Title Policies to be in an aggregate amount equal of the Purchase Price, insuring the fee title in Real Property as vested in Purchaser subject only to the following matters affecting title ("Permitted Exceptions").

(a) All general and special property taxes and assessments not yet delinquent, and all improvement and assessment bonds;

(b) Supplemental taxes, if any, assessed as a result of the sale of the Real Property and the Improvements by Seller to Purchaser;

(c) Subject to the provisions of Section 4.4 hereof, all liens, covenants, conditions, restrictions, easements, rights of way, and all other exceptions to title as referenced in the Title Commitments, except monetary liens and encumbrances (except as caused by Purchaser) which Seller shall remove at or prior to the Close of Escrow;

(d) Subject to Section 4.4 hereof, all exceptions to title disclosed by the Surveys (and any updates thereto) of the Real Property for the Title Policy (including, without limitation, easements, encroachments and zoning);

(e) Guests of the Hotels in the ordinary course of business and rights of parties in possession not shown by the public records, but only with respect to those which Purchaser has actual knowledge thereof prior to expiration of the Due Diligence Period or has consented to thereafter;

(f) Governmental laws, codes, ordinances and restrictions now or hereafter in effect so far as these affect the Real Property or any part thereof, including, without limitation, zoning ordinances (and amendments and additions relating thereto) and the Americans with Disabilities Act of 1990, as amended;

(g) Any exceptions created by Purchaser or its agents, employees and/or contractors, including without limitation, any exceptions arising by reason of the entry on the Real Property by Purchaser or by its agents, employees and/or contractors; and

(h) All preprinted exceptions and exclusions contained in the Title Policies not customarily removed upon receipt by the Title Company of its standard seller's affidavit as to liens and possession through the Close of Escrow, to be provided by Seller.

Purchaser shall have the right to obtain from Title Insurer such endorsements to the Title Policies and/or such additional liability protection as Purchaser may elect to obtain; provided, however, that Purchaser's ability to obtain such title endorsements and/or such additional liability protection shall not be a condition precedent to Purchaser's obligations hereunder and shall not extend or delay the Close of Escrow; provided further, however, that Seller shall execute and deliver to the Title Insurer such certified organizational documents and consents, affidavits, agreements, and undertakings (including, without limitation, gap undertakings), as may be required by the Title Insurer in order to issue the Title Policies with affirmative coverage over mechanics liens. Purchaser shall be solely responsible for negotiating with Title Insurer with respect to the Title Policies and/or with respect to such title endorsements and/or such additional liability protection as may be requested by Purchaser, if any. With respect to each Property, Seller will deliver to Purchaser a copy of any survey of the Real Property in its possession, without warranty, and Purchaser shall be solely responsible for, and shall assume the risk of, obtaining a survey (or updating Seller's survey) of the Real Property ("Survey") acceptable to Title Insurer for purposes of issuing the Title Policy.

4.3 Inspection and Due Diligence Review.

4.3.1 Purchaser shall have the right, in its sole discretion, until 5:00 p.m. Washington, DC time on the 30th day following the Effective Date, to satisfy itself, in its sole and absolute discretion, as to the condition and extent of the Property ("Due Diligence Period"). Subject to the prior termination of this Agreement, during the term of this Agreement, Sellers shall cooperate and provide Purchaser with reasonable and continuing access to the Real Property or any due diligence materials required hereunder upon one (1) business day prior Notice to Sellers for the purpose of Purchaser's inspection and due diligence review. In

connection with such review, Seller shall deliver to Purchaser or make available to Purchaser at the respective Hotel during normal business hours during the Due Diligence Period, all records, including non-proprietary financial reports, the instruments evidencing the Contracts pertaining to the Hotels and any other documents, which are in or under Sellers' or Sellers' property manager's control and relate to the operation of the Hotels or any other matter affecting the Property ("Due Diligence Materials"), except that Sellers shall have no obligation to deliver or make available to Purchaser, and Purchaser shall have no right to review, the Excluded Assets and the Excluded Documents. Neither Purchaser nor any of its employees, agents or representatives shall contact or otherwise discuss this transaction and /or the operation of the Hotels with any on-site employees of the Hotels; provided, however, that Purchaser may meet with any Hotel's General Manager (or other designee) upon not less than one (1) business day's Notice to Sellers but only in the presence of Sellers' representative (unless waived).

4.3.2 Purchaser acknowledges that prior to the date of this Agreement, Sellers have delivered to Purchaser, or Sellers have provided Purchaser with access to, certain Due Diligence Materials. Purchaser shall have until the expiration of the Due Diligence Period to review and approve the Due Diligence Materials.

4.3.3 During the Due Diligence Period, Purchaser shall also have the opportunity to conduct a Phase I environmental audit/study of all Real Property, provided such Phase I environmental audit/study is not invasive or intrusive. Any environmental audit/study, other than the Phase I, proposed to be undertaken by Purchaser shall be subject to Sellers' written approval, which shall not be unreasonably withheld, prior to the commencement thereof. As a condition to any such consent, Purchaser shall, or shall cause the entity conducting the Phase I environmental audit/study to, obtain and maintain such public liability insurance in an amount of Two Million Dollars ($2,000,000) for each Property, naming as an additional insured the Seller owning such Real Property. At any time prior to 5:00 p.m. Washington, DC time on the last day of the Due Diligence Period, Purchaser shall have the right in its sole discretion to terminate this Agreement for any reason or no reason at all, in which event Escrow Holder shall deliver the Earnest Money Deposit to Purchaser.

4.3.4 Purchaser, at all times, will conduct such due diligence in compliance with all applicable laws, and in a manner so as to not cause damage, loss, cost or expense to Sellers, any Property or the tenants or guests of any Property, and without unreasonably interfering with or disturbing any employee, tenant or guest at the Hotels. Purchaser will promptly restore any damage to the Property caused by Purchaser's inspection to its condition immediately preceding such inspections and examinations and will keep the Property free and clear of any mechanic's liens or materialmen's liens in connection with such inspections and examinations.

4.3.5 The cost of the inspections and tests undertaken pursuant to this Section 4.3 shall be borne solely by Purchaser. Purchaser shall indemnify, protect, defend, and hold Sellers, Sellers' lenders, and their affiliates, owners, agents and employees harmless from and against any obligation, liability, claim (including any claim for damage to property or injury to or death of any persons), lien or encumbrance, loss, damage, cost or expense, including reasonable attorneys' fees, whether or not legal proceedings are instituted, arising from the acts or omissions of Purchaser or its agents, employees or contractors occurring in connection with, or as a result of, such inspections, tests or examinations of any Property. In the event that

Purchaser elects to terminate this Agreement prior to the end of the Due Diligence Period or upon any other termination of this Agreement, except by reason of Seller's default, Purchaser shall deliver to Seller copies of all third-party reports received by Purchaser with respect to the Property.

4.3.6 Subject to Section 12.17, until Close of Escrow, Purchaser shall endeavor in good faith not to disseminate any information or materials disclosed and/or delivered to it by Sellers, or Sellers' agents, employees and representatives which relate to the operations of the Property and whose dissemination could harm the operations of the Property. Purchaser also agrees that in the event the transactions contemplated in this Agreement are not consummated as provided herein, Purchaser shall return all information and materials disclosed and/or delivered to it by Sellers, or Sellers' agents, employees and representatives, and all copies thereof, to Sellers promptly upon Sellers' request.

4.3.7 Except as expressly provided in this Agreement, Sellers make no representations or warranties as to the truth, accuracy or completeness of any materials, data or other information, if any, supplied to Purchaser in connection with Purchaser's inspection of the Property (e.g., that such materials are complete, accurate or the final version thereof, or that all such materials are in Sellers' possession). It is the parties' express understanding and agreement that any such materials are to be provided only for Purchaser's convenience in making its own examination and determination prior to the expiration of the Due Diligence Period as to whether it wishes to purchase the Properties, and, in doing so, Purchaser shall rely exclusively on its own independent investigation and evaluation of every aspect of each Property and not on any materials supplied by Sellers. Purchaser expressly disclaims any intent to rely on any such materials provided to it by Sellers in connection with its inspection and agrees that it shall rely solely on its own independently developed or verified information.

4.3.8 The obligations of Purchaser under this Section 4.3 (including its indemnification obligations) shall survive the Close of Escrow or the termination of this Agreement.

4.3.9 Notwithstanding any provision herein to the contrary, so long as Purchaser has ordered (i) the Phase I environmental audit/study (the "Environmental Report") and (ii) an engineering PCA report (the "PCA Report") (together the Environmental Report and the PCA Report are referred to as the "Reports") by the seventh (7th) business days following the Effective Date, then, in the event that any one or more of these items has not been delivered by the date which is the fourth (4th) business day prior to the expiration of the Due Diligence Period (a "Late Report"), Purchaser shall have the right, by written notice to Seller, given not later than the expiration of the third (3rd) business day prior to the expiration of the Due Diligence Period, to extend its right to terminate this Agreement (and to receive a refund of the Deposit) for an additional fifteen (15) day period (the "Limited Due Diligence Period"), but such extended right to terminate shall be exercisable solely by reason of unsatisfactory matters disclosed in the Late Report during such Limited Due Diligence Period.

4.4 Notice of Non-Satisfaction.

4.4.1 Within ten (10) business days of receipt of the Title Commitment and the Survey with respect to a Property, Purchaser shall notify Sellers, by Notice, of any objections to exceptions appearing in the Title Commitment. Within five (5) business days following Purchaser's Notice, Sellers shall notify Purchaser, by Notice, (i) that Sellers will, prior to the Closing Date, eliminate the exceptions to which Purchaser objects, or (ii) that Sellers decline to eliminate specified exceptions. If Sellers elect not to take such actions as may be required by the Title Insurer to remove all exceptions to title to which Purchaser has objected, Purchaser may within three (3) days terminate this Agreement in its sole discretion and receive a return of the Earnest Money Deposit. If Sellers agree to take the actions necessary to eliminate all exceptions to which Purchaser has objected, then such exceptions shall not be Permitted Exceptions, Sellers shall cause such exceptions to be removed prior to or at Close of Escrow, and Seller's failure to do so shall be a default under this Agreement. If Purchaser fails to provide Notice of cancellation within the Due Diligence Period as provided for herein, Purchaser shall be deemed to have approved the state of the Properties and the condition of title, and shall be deemed to have waived its rights to terminate this Agreement by reason of such title objections and cancel the Escrow by reason of such title objections under this Section 4.4.

4.5 Condition of the Property. SUBJECT TO THE EXPRESS PROVISIONS OF THIS AGREEMENT AND EXCEPTING ALL REPRESENTATIONS AND WARRANTIES OF SELLER EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY DOCUMENT DELIVERED AT CLOSING:

(a) BY ENTERING INTO THIS AGREEMENT, PURCHASER HAS AGREED TO, AND WILL, PERFORM (AND PURCHASER REPRESENTS AND WARRANTS TO SELLERS THAT PURCHASER IS CAPABLE OF PERFORMING) A SOPHISTICATED, EXPERT, THOROUGH AND INDEPENDENT INVESTIGATION, ANALYSIS AND EVALUATION OF THE LAND AND THE PROPERTY. PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD, PURCHASER WILL HAVE DETERMINED, SUBJECT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT, THAT THE LAND AND THE PROPERTY ARE ACCEPTABLE TO PURCHASER. PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD, PURCHASER WILL HAVE CONDUCTED ITS OWN THOROUGH AND INDEPENDENT INSPECTION, INVESTIGATION, ANALYSIS AND EVALUATION OF ALL INSTRUMENTS, RECORDS AND DOCUMENTS WHICH PURCHASER MAY DETERMINE TO BE APPROPRIATE OR ADVISABLE TO REVIEW IN CONNECTION WITH PURCHASER'S ACQUISITION OF THE PROPERTY AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AND PURCHASER WILL EITHER HAVE DETERMINED, SUBJECT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT, THAT THE INFORMATION AND DATA CONTAINED THEREIN OR EVIDENCED THEREBY ARE SATISFACTORY TO PURCHASER, OR TERMINATED THIS AGREEMENT PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD.

(b) PURCHASER ACKNOWLEDGES THAT SELLERS ARE NOT THE DEVELOPERS OR THE ORIGINAL OWNERS OF THE REAL PROPERTY OR THE HOTELS. PURCHASER FURTHER ACKNOWLEDGES THAT, PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD, PURCHASER WILL HAVE

THOROUGHLY INSPECTED AND EXAMINED, AND, FAILING A TERMINATION OF THIS AGREEMENT PURSUANT TO SECTION 4.4, UNCONDITIONALLY AND IRREVOCABLY APPROVED, ALL ELEMENTS COMPRISING THE LAND AND THE PROPERTY, AND ALL FACTORS RELATED TO THEIR USE AND OPERATION. PURCHASER HEREBY RELEASES AND FOREVER DISCHARGES SELLERS FROM ANY AND ALL CLAIMS, LOSSES, DAMAGES, LIABILITIES OR OBLIGATIONS ARISING OUT OF OR IN ANY WAY RELATED TO ALL OF THE ITEMS LISTED IN THIS SECTION, WHICH RELEASE AND DISCHARGE FROM LIABILITY SHALL SURVIVE THE CLOSE OF ESCROW.

(c) PURCHASER ACKNOWLEDGES AND AGREES THAT PURCHASER'S FAILURE TO TERMINATE THIS AGREEMENT AND CANCEL THE ESCROW PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD SHALL BE CONCLUSIVELY DEEMED PURCHASER'S AFFIRMATION THAT IT HAS COMPLETED ITS INVESTIGATIONS AND DUE DILIGENCE REVIEW OF THE LAND AND THE PROPERTY AND HAS APPROVED THE CONDITION AND STATE THEREOF.

(d) PURCHASER FURTHER ACKNOWLEDGES THAT PURCHASER HAS SUBSTANTIAL EXPERIENCE WITH REAL PROPERTY, HOTELS AND HOTEL OPERATIONS, AND THAT PURCHASER WILL ACQUIRE THE PROPERTY IN "AS IS, WHERE IS, WITH ALL FAULTS" CONDITION, AND SOLELY IN RELIANCE ON PURCHASER'S OWN INSPECTION AND EXAMINATION AND SELLERS' REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN. PURCHASER WAIVES ANY OBLIGATION ON THE PART OF SELLERS, OR ANY OTHER PERSON, TO DISCLOSE ANY DEFECTS OR OTHER DEFICIENCIES OR LIABILITIES IN OR WITH RESPECT TO THE PROPERTY.

(e) IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT SELLERS MAKE NO REPRESENTATIONS, WARRANTIES OR GUARANTIES OF ANY KIND, NATURE OR SORT, EXPRESS OR IMPLIED, WITH RESPECT TO THE PHYSICAL CONDITION, PAST, PRESENT OR FUTURE OPERATION AND/OR PERFORMANCE, OR VALUE, OF ANY PROPERTY. SELLERS CONVEY THE PROPERTY TO PURCHASER "AS IS AND WHERE IS, WITH ALL FAULTS," AND PURCHASER ACKNOWLEDGES THAT SELLERS MAKE NO REPRESENTATIONS, GUARANTIES OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AS TO THE QUALITY, CHARACTER, EXTENT, PERFORMANCE, CONDITION OR SUITABILITY OF THE PROPERTY FOR ANY PURPOSE. PURCHASER ACKNOWLEDGES THAT PURCHASER SHALL BE SOLELY RESPONSIBLE AND LIABLE FOR ASCERTAINING THE TRANSFERABILITY OF ALL LICENSES, PERMITS AND OTHER GOVERNMENTAL CONSENTS FOR THE OWNERSHIP, USE AND OPERATION OF THE PROPERTY, AND SHALL BE SOLELY RESPONSIBLE FOR OBTAINING THE TRANSFERS THEREOF, PROVIDED SELLER SHALL USE COMMERCIALLY REASONABLE EFFORTS (BUT AT NO COST TO SELLER) TO

COOPERATE WITH AND ASSIST PURCHASER IN OBTAINING THE TRANSFER OF OR NEW LICENSES, PERMITS AND CONSENTS AS NECESSARY.

(f) PURCHASER'S INSPECTION, INVESTIGATION AND SURVEY OF THE LAND AND THE PROPERTY, DURING THE DUE DILIGENCE PERIOD, SHALL BE IN LIEU OF ANY NOTICE OR DISCLOSURE REQUIRED BY ANY APPLICABLE LAW, RULE OR REGULATION, INCLUDING, WITHOUT LIMITATION, LAWS REQUIRING DISCLOSURE BY SELLER OF FLOOD, FIRE, MOLD, SEISMIC HAZARDS, LEAD PAINT, MELLO ROOS, LANDSLIDE AND LIQUEFACTION, OTHER GEOLOGICAL HAZARDS, RAILROAD AND OTHER UTILITY ACCESS, SOIL CONDITIONS AND OTHER CONDITIONS WHICH MAY AFFECT THE USE OF THE REAL PROPERTY, AND PURCHASER HEREBY WAIVES ANY REQUIREMENT FOR A NOTICE PURSUANT TO THOSE PROVISIONS AND HEREBY ACKNOWLEDGES AND AGREES THAT IT IS FAMILIAR WITH SUCH DISCLOSURE REQUIREMENTS AND WILL CONDUCT ITS OWN DUE DILIGENCE WITH RESPECT TO ALL MATTERS COVERED THEREBY, AND HEREBY RELEASES SELLERS FROM LIABILITY IN CONNECTION WITH ANY SUCH MATTERS THAT ARE NOT THE SUBJECT OF ANY OF SELLERS' REPRESENTATIONS AND WARRANTIES. PURCHASER SHALL BE DEEMED TO HAVE APPROVED ALL CONDITIONS PERTAINING TO THE PROPERTY UNLESS IT CANCELS THE ESCROW IN ACCORDANCE HEREWITH ON OR BEFORE THE END OF THE DUE DILIGENCE PERIOD.

(g) PURCHASER ALSO ACKNOWLEDGES AND AGREES THAT, ALTHOUGH SELLERS HAVE PROVIDED TO PURCHASER CERTAIN REPORTS, STUDIES AND SURVEYS FOR OR REGARDING THE REAL PROPERTY ("REPORTS"), SELLERS HAVE NOT VERIFIED THE ACCURACY THEREOF AND MAKES NO REPRESENTATIONS OR WARRANTIES REGARDING THE MATTERS SET FORTH THEREIN, IT BEING THE RESPONSIBILITY OF PURCHASER TO VERIFY THE ACCURACY OF SUCH REPORTS. PURCHASER HEREBY RELEASES AND FOREVER DISCHARGES SELLERS FROM ANY AND ALL CLAIMS, LOSSES, DAMAGES, LIABILITIES OR OBLIGATIONS ARISING OUT OF OR IN ANY WAY RELATED TO ALL OF THE ITEMS LISTED IN THIS PARAGRAPH, WHICH RELEASE AND DISCHARGE FROM LIABILITY SHALL SURVIVE THE CLOSE OF ESCROW.

(h) FURTHERMORE, PURCHASER ACKNOWLEDGES THAT SELLERS HAVE NOT AND DO NOT MAKE ANY REPRESENTATIONS OR WARRANTIES IN CONNECTION WITH THE PRESENCE OR INTEGRATION OF HAZARDOUS MATERIALS UPON OR WITHIN THE REAL PROPERTY. IN THAT REGARD, PURCHASER WILL, PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD, CONDUCT ITS OWN INVESTIGATION AND OBTAIN ITS OWN ENVIRONMENTAL ASSESSMENT REPORT TO DETERMINE IF THE REAL PROPERTY CONTAINS ANY HAZARDOUS MATERIALS OR TOXIC WASTE, MATERIALS, DISCHARGE, DUMPING OR CONTAMINATION, WHETHER SOIL, GROUNDWATER OR OTHERWISE, WHICH VIOLATES ANY FEDERAL, STATE,

LOCAL OR OTHER GOVERNMENTAL LAW, REGULATION OR ORDER OR REQUIRES REPORTING TO ANY GOVERNMENTAL AUTHORITY.

(i) PURCHASER, FOR ITSELF AND ITS OWNERS, SUCCESSORS AND ASSIGNS, HEREBY RELEASES AND FOREVER DISCHARGES SELLERS, AND THEIR PAST, PRESENT AND FUTURE MEMBERS, AFFILIATES, EMPLOYEES, AGENTS, ATTORNEYS, ASSIGNS, AND SUCCESSORS-IN-INTEREST FROM ALL PAST, PRESENT AND FUTURE CLAIMS, DEMANDS, OBLIGATIONS, LOSSES AND CAUSES OF ACTION OF ANY NATURE WHATSOEVER, WHETHER NOW KNOWN OR UNKNOWN, DIRECT OR INDIRECT, FORESEEN OR UNFORESEEN, SUSPECTED OR UNSUSPECTED, WHICH ARE BASED UPON OR ARISE OUT OF OR IN CONNECTION WITH THE CONDITION OF THE LAND OR THE PROPERTY, THE MATTERS ADDRESSED IN SUBSECTIONS (a), (b), (c), (d) AND (e) OF THIS SECTION 4.5, AND WITH RESPECT TO THE PRESENCE OF ANY HAZARDOUS MATERIALS, ANY ENVIRONMENTAL DAMAGES OR ENVIRONMENTAL REQUIREMENTS, INCLUDING, WITHOUT LIMITATIONS, THE PHYSICAL, STRUCTURAL, GEOLOGICAL, MECHANICAL AND ENVIRONMENTAL (SURFACE AND SUBSURFACE) CONDITION OF THE REAL PROPERTY (INCLUDING THE IMPROVEMENTS THEREON) OR ANY LAW OR REGULATION RELATING TO HAZARDOUS MATERIALS. WITHOUT LIMITING THE FOREGOING, THIS RELEASE SPECIFICALLY APPLIES TO ALL LOSSES AND CLAIMS ARISING UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED, THE SUPERFUND AMENDMENTS AND REAUTHORIZATION ACT OF 1986, (42 U.S.C. SECTIONS 9601 ET SEQ.), THE RESOURCES CONSERVATION AND RECOVERY ACT OF 1976, (42 U.S.C. SECTIONS 6901 ET SEQ.), THE CLEAN WATER ACT, (33 U.S.C. SECTIONS 466 ET SEQ.), THE SAFE DRINKING WATER ACT, (14 U.S.C. SECTION 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT, (49 U.S.C. SECTIONS 1801 ET SEQ.), THE TOXIC SUBSTANCE CONTROL ACT, (15 U.S.C. SECTIONS 2601-2629), AND ANY OTHER FEDERAL, STATE OR LOCAL LAW OF SIMILAR EFFECT, AS WELL AS ANY AND ALL COMMON LAW CLAIMS. IN ACCORDANCE WITH THE FOREGOING, PURCHASER WAIVES ALL RIGHTS UNDER ANY STATUTES WHICH MAY HAVE PROVISIONS SIMILAR TO THE FOLLOWING:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

BY INITIALING THIS AGREEMENT CLAUSE, PURCHASER ACKNOWLEDGES THAT THIS SECTION HAS BEEN READ AND FULLY UNDERSTOOD, AND THAT PURCHASER HAS HAD THE CHANCE TO ASK QUESTIONS OF ITS COUNSEL ABOUT ITS MEANING AND SIGNIFICANCE.

____
PURCHASER'S INITIALS

(j) "Environmental Damages" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs, and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of the existence of Hazardous Materials upon, about, beneath the Real Property or migrating or threatening to migrate to or from the Real Property, or the existence of a violation of Environmental Requirements pertaining to the Real Property, regardless of whether the existence of such Hazardous Materials or the violation of Environmental Requirements arose prior to the present ownership or operation of the Real Property.

(k) "Environmental Requirements" means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all governmental agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment.

(l) "Hazardous Materials" means mold, mildew, and any substance (i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance or policy; or (ii) which is defined as a "hazardous waste" or "hazardous substance" under any federal, state or local statute, regulation or ordinance, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.) and the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.) and amendments thereto and regulations promulgated thereunder; or (iii) which is toxic, explosive, corrosive, infectious or otherwise hazardous or is regulated by any federal, state or local governmental authority; or (iv) without limitation which contains polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde.

The provisions of this Section 4.6 shall survive the Close of Escrow.

V.

CLOSING

5.1 Closing Date. The "Closing Date" for purposes of this Agreement shall be the date which is the first business day following the later of (i) thirty (30) days after the expiration of the Due Diligence Period, or (ii) three (3) business days following satisfaction of the IPO Condition, or such earlier or later date as may be agreed upon, in writing, by Sellers and Purchaser, and shall be the date on which the Close of Escrow occurs. The "Close of Escrow"

for purposes of this Agreement is defined as the time when the Grant Deeds are recorded in the Official Records, by Escrow Holder. It is agreed that if termination of the Escrow is caused by the default of one party then such party shall be responsible for all escrow and title cancellation charges, and if the termination occurs where neither party is in default or where both parties are in default, then each party shall be responsible for one-half ($^1/_2$) of all title and Escrow cancellation charges.

5.2 Action Prior to the Close of Escrow by Seller. Sellers agree that, provided Purchaser has complied with its obligations under Section 5.3 hereof, on or before 11:00 a.m. Washington, DC time on the business day immediately preceding the Closing Date, Sellers will deposit with Escrow Holder such funds and other items and instruments (executed and acknowledged, if appropriate) as may be necessary in order for Escrow Holder to comply with this Agreement, including, without limitation, the following:

(a) For each Property, a grant deed in the form and content attached hereto as Exhibit "D", prepared and executed by Seller and acknowledged before a Notary Public in the manner provided under the laws of the applicable state, reflecting the sale and transfer to Purchaser of the Real Property and the Improvements, ("Grant Deed").

(b) For each Property, two (2) duplicate originals of a Bill of Sale, in the form and content attached hereto as Exhibit "E", prepared and executed by Seller, assigning, conveying and transferring to Purchaser the Personal Property and the Inventory ("Bill of Sale");

(c) For each Property, two (2) duplicate originals of an Assignment of Intangible Property, in the form and content attached hereto as Exhibit "F", prepared and executed by Seller, assigning and conveying to Purchaser, at no cost or expense to Sellers, and without representation or warranty, all of Seller's right, title and interest in the Intangible Property ("Assignment of Intangibles");

(d) For each Property, two (2) duplicate originals of an Assignment and Assumption of Contracts (which shall include an assignment of any leases if applicable), in the form and content attached hereto as Exhibit "G", prepared and executed by Seller, assigning and conveying to Purchaser, at no cost or expense to Sellers, and without representation or warranty, all of Seller's right, title and interest under the Contracts and any applicable leases ("Assignment of Contracts");

(e) For each Property, a Non-Foreign Affidavit signed by Seller in the form to be prepared by Escrow Holder ("Non-Foreign Affidavit");

(f) A certificate of Seller recertifying all of Seller's representations and warranties as true and correct as of Close of Escrow, subject to such modifications, if any, to the extent permitted under this Agreement;

(g) A closing settlement statement mutually approved by Purchaser and Seller (the "Settlement Statement");

(h) Such other funds, instruments or documents as may be reasonably necessary to effect or carry out the covenants and obligations to be performed by Sellers pursuant to this Agreement;

(i) Seller's 1099-S;

(j) Such other instruments or documents as may be reasonably required by the Title Insurer as necessary to issue the Title Policy, but only to the extent required pursuant to the provisions of Section 4.4;

(k) Notices to tenants and contract parties notifying such parties of the transfer of ownership ("Third Party Notices");

(l) An updated employee census;

(m) Title to all vehicles, duly endorsed over to Purchaser; and

(n) Evidence of termination of the Management Agreements.

5.3 Action Prior to the Close of Escrow by Purchaser. Purchaser agrees that Purchaser will deposit with Escrow Holder at such time as required to effect Close of Escrow on the Closing Date, all additional funds (in Good Funds) and/or documents (executed and acknowledged, if appropriate) which are necessary to comply with the terms of this Agreement, including without limitation:

(a) The funds referred to in Section 2.2.3 hereof;

(b) For each Property, two (2) fully executed duplicate originals of the Assignment of Contracts executed by Purchaser;

(c) For each Property, two (2) fully executed duplicate originals of the Assignment of Intangibles executed by Purchaser;

(d) The Settlement Statement;

(e) The Third Party Notices; and

(f) Such other funds, instruments or documents as may be reasonably necessary to effect or carry out the covenants and obligations to be performed by Purchaser pursuant to this Agreement.

5.4 Recording of Grant Deeds. Escrow Holder will cause the Grant Deeds to be dated and recorded in the Official Records, and all other conveyance documents deposited with Escrow Holder dated as of the Closing Date, when (but in no event after the Closing Date) Title Insurer is irrevocably committed to issue the Title Policies to be issued to Purchaser as contemplated in this Agreement, and holds for the account of Sellers and Purchaser the items and funds (if any) to be delivered to Sellers and Purchaser through the Escrow, after payment of

costs, expenses, disbursements and prorations chargeable to Sellers or Purchaser pursuant to the provisions of this Agreement.

5.5 Prorations.

5.5.1 Taxes.

5.5.1.1 With respect to each Property, all non-delinquent real estate and personal property general and special taxes and assessments for the Property and the Land for the current assessment year shall be prorated as of the Closing Date. It is understood that any supplemental property tax bill issued as a result of the sale of any Property pursuant to the provisions of this Agreement, shall be borne by Purchaser. Notwithstanding anything to the contrary in this Agreement, Sellers shall retain all right, title and interest in and to any and all property tax (both real property and personal property) refunds and claims for refunds with respect to the Properties for any period prior to the Closing Date. Both Seller and Purchaser shall have the right to pursue claims for any such refunds, with respect to their respective periods of ownership. With respect to each Property, Purchaser and Sellers shall be equally responsible for, and shall pay equally, all sales, use and other transfer taxes imposed in connection with the sale and transfer of the Personal Property, the Inventory and the Intangible Property.

5.5.1.2 If any proceeding for certiorari or other proceeding to determine the assessed value of any Property or the real property taxes payable with respect to any Property is continuing as of the Close of Escrow, Seller will be entitled to control the prosecution of such proceeding or proceedings to completion and to settle or compromise any claim therein, subject to the reasonable approval of Purchaser. Seller agrees to cooperate with Purchaser and to execute any and all documents reasonably requested by Purchaser in furtherance of the foregoing. Any amounts recovered in such settlement or proceeding, net of the expenses of recovery thereof, including any fee or commission to any real property tax consultant due in connection with the real property tax proceeding, shall be appropriately apportioned between Seller and Purchaser. Seller shall not initiate any real property tax appeals or other proceedings after the conclusion of the Due Diligence Period without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld or delayed.

5.5.2 Advance Reservations. At the Close of Escrow, each Seller shall provide Purchaser with a schedule of post-closing confirmed Bookings for such Seller’s Hotel. Purchaser shall honor all such confirmed and Bookings, provided that such Bookings were booked by Sellers in a manner consistent with normal business practices.

5.5.3 Utility Service. With respect to each Property, Sellers shall request each utility company providing utility service to the Real Property to cause all utility billings to be closed and billed as of the Closing Date in order that utility charges may be separately billed for the period prior to the Closing Date and the period on and after the Closing Date. In the event any such utility charges are not separately billed, the same shall be prorated. In connection with any such proration, it shall be presumed that utility charges were uniformly incurred during the billing period in which the Close of Escrow occurs.

5.5.4 Revenue From Operations. With respect to each Property, all revenues from Hotel operations, including, without limitation, guest room rentals, revenue from the minibars (if any), banquet rooms rentals, vending machines, coin telephones, and other income-producing equipment arising through 12:01 a.m. local time on the Close of Escrow ("Cut-Off Time") shall belong to Seller. All revenues from Hotel operations, including, without limitation, guest room rentals, revenue from the minibars (if any), banquet rooms rentals, vending machines, coin telephones, and other income producing equipment arising after the Cut-Off Time shall belong to Purchaser. Revenue from guest room rentals for the evening before the date of the Close of Escrow through to the day of the Close of Escrow shall be allocated one-half (1/2) to Seller and one-half (1/2) to Purchaser. All prepaid rentals, room rental deposits, and all other deposits for advance reservations and Bookings for the period after the Cut-Off Time, shall be credited to Purchaser.

5.5.5 Accounts Payable and Operating Expenses. With respect to each Property, all obligations and liabilities (for services and materials ordered, or otherwise in the ordinary course of business) and accounts payable for the Hotel and the Real Property owing as of the Closing Date for merchandise, equipment, tour agents' and travel agents' commissions, advertisements, supplies and other materials and services paid, incurred or ordered shall be prorated between Sellers and Purchaser as of the Closing Date. Sellers shall receive a credit for all prepaid expenses.

5.5.6 Miscellaneous Permits and Taxes. With respect to each Property, all water and sewer charges, taxes (other than ad valorem property taxes), including license taxes or fees for licenses (other than the Liquor Licenses) which are assignable or transferable without added cost and have a value which will survive Close of Escrow, including, but not limited to, any unpaid taxes payable in arrears, shall be prorated as of the Closing Date. Sellers will be credited for that portion of taxes and fees paid by Sellers allocable to the period after the Closing Date.

5.5.7 Contracts/Leases. With respect to each Property, all payments and receipts, as applicable, under the Contracts and any leases shall be prorated between Purchaser and Seller as of the Closing Date. Sellers shall receive a credit for all prepayments and deposits under any Contracts and Purchaser shall receive a credit for any security deposits under any leases.

5.5.8 Other Income. With respect to each Property, all other income derived by Seller from the Property accruing or relating to the period up to and including the Cut-Off-Time shall be paid to Seller. All other income derived by Seller from the Property accruing or relating to the period on and after the Cut-Off-Time shall be paid to Purchaser.

5.5.9 Other Expenses. With respect to each Property, all other expenses and obligations not otherwise specified in this Section 5.5 incurred in the ownership of the Property and operation of the Hotel shall be prorated between Seller and Purchaser as of the Closing Date.

5.5.10 Ticket and Gift Shop Inventory. With respect to each Property, Seller shall receive a credit for all gift shop inventory, held by Seller for sale at the Hotel, in an amount equal to Seller's actual cost thereof.

5.5.11 House Banks. With respect to each Property, on the Close of Escrow, in addition to the Purchase Price, Seller shall receive a credit through the Escrow for an amount equal to all till money, cash-on-hand, and all sums in house banks for the Hotel, in which case all right, title and interest to the till money, cash-on-hand and house banks shall be assigned and conveyed by Seller to Purchaser. In the event Seller and Purchaser are unable to agree upon the amount of the till money, cash-on-hand and house banks, the provisions of this Section 5.5.11 shall be inapplicable, and title to the till money, cash-on-hand and house banks shall remain with Seller. The failure of Purchaser and Seller to agree on the amounts of the till money, cash-on-hand and house banks shall not be deemed a condition precedent to the obligations of Seller and Purchaser under this Agreement.

5.5.12 Delayed Adjustments. If, at any time following the Closing Date, the amount of an item listed in this Section 5.5 shall prove to be incorrect, the party in whose favor the error was made shall pay to the other party within fifteen (15) days after request the sum necessary to correct such error upon receipt of proof of such error, provided that such proof is delivered to the party from whom payment is requested on or before one hundred fifty (150) days after the Close of Escrow. The acceptance of the closing statement by either party shall not prevent later readjustment pursuant to this Section 5.5.12. After the Close of Escrow, each party shall have reasonable access to the books and records of the other party with respect to all matters set forth in this Section 5.5 for the purposes of determining the accuracy of all adjustments and the performance of the obligations of the parties under this Section 5.5.

5.5.13 Proration Allocation. For proration purposes, the date of the Close of Escrow shall be charged to Purchaser.

5.5.14 Survival. The provisions of this Section 5.5 shall survive the Close of Escrow.

5.6 Guest Property. With respect to each Property, property of guests of the Hotel in Seller's care, possession or control (excluding that in guest rooms) on the Closing Date shall be handled in the following manner:

5.6.1 Safe Deposit Boxes. On the day prior to the Closing Date, Seller shall send written notice to guests in the Hotel who have safe deposit boxes advising them of the sale of the Hotel to Purchaser and the procedures to be followed pursuant to this Section 5.6.1. On the Closing Date, Seller shall deliver to Purchaser all keys to the safe deposit boxes in the Hotel, all receipts and agreements relating to such safe deposit boxes, and a complete list of the name and room number of each depositor. Each box in use by a Hotel guest shall then be sealed by representatives of Seller and Purchaser. At Purchaser's option, guests may be requested to remove and verify the contents of the sealed boxes prior to the Close of Escrow. All such removals and verifications shall be under the supervision of a representative to be agreed upon between Purchaser and Seller. Purchaser shall be responsible for all boxes once the seal is broken, and for the contents of all boxes which are verified. Seller shall be responsible for any claims pertaining to any property allegedly deposited in a safe deposit prior to the Closing Date, the seal of which was not broken. Each of Seller and Purchaser shall indemnify and hold the other harmless from and against all claims and losses arising from such indemnifying party's obligations under this Section 5.6.1.

5.6.2 Baggage Inventory. All guest baggage and other guest property checked and left in the possession, care and control of Seller shall be listed in an inventory to be prepared in duplicate and signed by Seller's and Purchaser's representatives on the Closing Date. Purchaser shall be responsible from and after the Closing Date for all baggage (and the contents thereof) and other guest property listed in inventory. Purchaser agrees to indemnify and save and hold Seller harmless from and against any claim arising out of or with respect to the baggage listed in the inventory, and Seller agrees to indemnify and save and hold Purchaser harmless from and against any claim arising prior to the Closing Date out of or with respect to any guest baggage or other guest property not listed in the inventory.

5.7 Costs. Purchaser and Seller shall each pay one-half (1/2) of the premium for the A.L.T.A coverage under the Title Policy. Purchaser shall pay the costs of all endorsements to the Title Policy, all costs or premiums for any lender title policies, and for the Survey (or the updating thereof). Purchaser and Seller shall each pay one-half (1/2) of the documentary transfer taxes and the recording fee for the Grant Deed. Each of Seller and Purchaser shall pay one-half (1/2) of all escrow fees for that portion of the Escrow pertaining to the sale of the Property.

5.8 Real Estate Withholding. Sellers and Purchaser appoint Escrow Holder as the withholding agent for purposes of compliance with any state statue respecting the withholding of taxes. Prior to the Close of Escrow, Sellers will provide Escrow Holder with all information and documentation reasonably required to determine the amount, if any, to be withheld from the proceeds of the sale transaction contemplated herein for payment to the appropriate taxing authority.

5.9 Distribution of Funds and Documents Following Close of Escrow. Following Close of Escrow, Escrow Holder shall distribute the documents as follows:

5.9.1 To Sellers. With respect to each Property:

(a) The cash portion of the Purchase Price as set forth in Section 2.2, less costs, offsets and prorations in accordance with the provisions of this Agreement;

(b) A copy of the recorded Grant Deed;

(c) One (1) fully executed duplicate original of the Bill of Sale;

(d) One (1) fully executed duplicate original of the Assignment of Intangibles;

(e) One (1) fully executed duplicate original of the Assignment of Contracts;

(f) One (1) fully executed duplicate of the Settlement Statement;

(g) One (1) fully executed duplicate of the Third Party Notices;

(h) A copy of the Title Policy issued to Purchaser;

(i) One (1) duplicate original or conformed copy as appropriate, of any other document to be received by Sellers through Escrow pursuant to the provisions of this Agreement; and

(j) One (1) copy of any other document delivered to Escrow Holder by Purchaser or Sellers pursuant to the terms of this Agreement.

5.9.2 To Purchaser.

(a) Any excess funds deposited by Purchaser which remain after disbursement to Sellers;

(b) One (1) conformed copy of the Grant Deed, the original to be mailed to Purchaser following the recordation thereof;

(c) One (1) fully executed duplicate original of the Bill of Sale;

(d) One (1) fully executed duplicate original of the Assignment of Intangibles;

(e) One (1) fully executed duplicate original of the Assignment of Contracts;

(f) One (1) fully executed duplicate of the Settlement Statement;

(g) One (1) fully executed duplicate of the Third Party Notices;

(h) One (1) duplicate original or conformed copy as appropriate, of any other document to be received by Purchaser through Escrow pursuant to the provisions of this Agreement;

(i) One (1) copy of any other document delivered to Escrow Holder by Purchaser or Sellers pursuant to the terms of this Agreement; and

(j) The original of the Title Policy.

5.10 Possession. Purchaser shall be entitled to sole possession of each Property on the Close of Escrow, subject to the possessory rights of any guests of the Hotel.

VI.

ADDITIONAL COVENANTS AND INDEMNITIES

6.1 Purchaser's Covenants.

6.1.1 Indemnification. Purchaser covenants to defend, indemnify and hold harmless Sellers, and their respective affiliates, owners, employees, agents and representatives, from and against any and all claims, penalties, liabilities, fines, losses, causes of action, fees, injuries, damages, liens, proceedings, judgments, actions, rights, demands, costs and expenses (including, without limitation, reasonable attorneys' fees and court and litigation costs, but excluding consequential damages and loss of profits) (a) arising from the acts and omissions of

Purchaser and its agents, employees and contractors occurring in connection with or as a result of, any inspections, tests or examinations of or to the Property and the Land, (b) arising from the use, management, operation, rental, maintenance and ownership of the Property and the Land, based upon acts, conduct or omissions (other than by Sellers) occurring, on or after the Closing Date, including, without limitation, with respect to and under the Contracts, (c) caused by or arising out of any material misrepresentation by Purchaser in connection with this Agreement, and (d) and arising from any breach of this Agreement by Purchaser or any instrument or agreement delivered or required to be delivered pursuant to the provisions of this Agreement, including under the WARN Act. This indemnity shall survive the Close of Escrow.

6.1.2 Seller's Accounts Receivable. On the Closing Date, each Seller shall deliver to Purchaser an update of Seller's Accounts Receivable list. Thereafter, Purchaser, upon receipt, shall promptly remit to such Seller all sums received by Purchaser in payment of any of Seller's Accounts Receivables. All sums received by Purchaser from a customer, guest or patron following Closing shall be credited, unless otherwise designated by the payor, first, to the sums owing to Purchaser, and then, to the extent any sums remain, to Seller for any Seller's outstanding Accounts Receivable. For a period of one (1) year after the Close of Escrow, Sellers shall have the right, from time to time, to inspect and audit the books and records of the Hotels that pertain to income and collections, at Sellers' sole cost (unless it is determined from such audit or inspection that Purchaser has withheld any Seller's Accounts Receivable, then Purchaser shall pay the costs of such audit and inspection), and Purchaser shall provide full and complete access thereto to Sellers upon not less than three (3) business days prior Notice, to verify receipt and payment of Sellers' Accounts Receivable. All information so obtained by Sellers or their agents shall be confidential information which shall be disclosed solely on a need-to-know basis. Nothing in the foregoing shall obligate Purchaser to pursue the collection of any outstanding Seller Account Receivables and Purchaser shall have no obligation to Seller to do so.

6.1.3 Public Offering. Purchaser shall use reasonable commercial efforts to finalize and file with the Securities and Exchange Commission the Registration Statement and to cause the Registration Statement to become effective under the Securities Act of 1933, as amended, and the rules and regulations thereunder, by 5:00 p.m. on February 15, 2010 and thereafter to cause the securities being offered pursuant to the Registration Statement to be sold (the "Public Offering"). All costs related to the Public Offering, including any audit or accounting fees incurred by Purchaser and/or Seller in causing any audits related to the Public Offering, shall be borne solely by Purchaser regardless of whether Closing occurs.

6.2 Seller Covenants. Each Seller (but solely for itself and its own Property, and not for any other Seller or any other Property) covenants to Purchaser as follows:

6.2.1 Indemnification. Seller covenants to defend, indemnify and hold harmless Purchaser and its affiliates, owners, employees, agents and representatives from and against any and all claims, penalties, liabilities, fines, losses, causes of action, fees, injuries, damages, liens, proceedings, judgments, actions, rights, demands, costs and expenses (including, without limitation, reasonable attorneys' fees and court and litigation costs, but excluding consequential damages and loss of profits) (a) arising from the use, management, rental, maintenance, ownership and operations of the Property during the period of Seller's ownership thereof (except as to, and specifically excluding, the matters set forth in Section 6.1.1 hereof, Environmental

Damages, Environmental Requirements, and the matters addressed in Section 0 hereof), (b) arising under the Contracts and the Franchise Agreement during the period of Seller's ownership, (c) caused by or arising out of any material misrepresentation by Sellers in connection with this Agreement, and (d) arising from any breach of this Agreement by Seller or any instrument or agreement required to be delivered or to be delivered pursuant to the provisions of this Agreement. This indemnity shall survive the Close of Escrow.

6.2.2 Assumption of Franchise Agreement. At Closing, Purchaser shall either (i) assume the Franchise Agreements or (ii) enter into new franchise agreements with the same Franchisors, with the original Franchise Agreements being terminated and Seller being fully released from any liability arising under the existing Franchise Agreements from and after Closing.

6.2.3 Terminating the Management Agreements. Seller shall terminate or cause to be terminated the Management Agreement affecting each Hotel effective upon the Close of Escrow. Any payments required by any management company pursuant to the Management Agreements to so terminate the Management Agreements shall be at Purchaser's sole cost and expense.

6.2.4 Operation of the Hotel. Subject to the terms of this Agreement, Seller, during the term of this Agreement, shall carry on the business and operations of the Hotel in substantially the same manner as heretofore carried on by it. Seller shall pay and perform all of its material obligations and otherwise comply with all of the material terms and conditions of the covenants and other agreements of record reflected in the Permitted Exceptions, the Contracts, the Franchise Agreement, the Existing Indebtedness (and all documents evidencing, securing or relating to the Existing Indebtedness (including, but not limited to, causing any guarantors and indemnitors to perform their obligations thereunder)). Prior to the Closing Date, Seller shall maintain (or replace with policies of like amounts) all existing insurance policies insuring the Property and the operation of the Hotel. Seller shall not remove any of the Personal Property from the Real Property, unless such removal is in the ordinary course of Seller's business and Seller replaces the same with like items that are of equal or better quality and condition. Seller shall maintain the Inventory, the Food Inventory and the Alcoholic Beverages consistent with Seller's past practices, and will replenish the same consistent with its past practices. Following the Effective Date of this Agreement, Seller may, extend, amend, modify or terminate any of the existing Contracts, including any leases of furniture, fixtures or equipment for the Hotel, and may enter into new Contracts as Seller deems appropriate to operate, service and maintain the Property consistent with normal business practices, and may enter into new Contracts; provided, however, that (i) Seller shall not enter into or amend, modify or extend any Material Contracts unless (a) Seller provides Purchaser with a copy of such new Material Contract or amendment, modification or extension of an existing Material Contract prior to or within two (2) business days after Seller's execution thereof, and (b) commencing two (2) business days prior to the expiration of the Due Diligence Period and continuing through the Close of Escrow or earlier termination of this Agreement, so long as Purchaser is not in default of any of its obligations under this Agreement, Seller shall have obtained the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed, (ii) Seller shall not enter into, or amend, modify or extend any leases of furniture, fixtures or equipment for the Hotel, (iii) other than with respect to the sale of Food Inventory or liquor in the ordinary course of business at the Property,

no part of the Property, or any interest therein, will be sold or otherwise transferred or encumbered without Purchaser's prior written consent; and (iv) without the prior written approval of Purchaser (which approval shall not be unreasonably withheld or delayed), Seller shall not make any material alterations to the Property. Seller shall pay all of its debts, liabilities and obligations as and when the same become due.

6.2.5 Cooperation. Seller shall cooperate with Purchaser in all reasonable respects, including by executing and delivering necessary or desirable applications and other documents, to facilitate the issuance and/or transfer of the authorizations and other authorizations in connection with the operation of the Hotel, including the Liquor Licenses. Purchaser shall promptly reimburse Seller for all reasonable out-of-pocket expenses incurred by Seller in connection with such cooperation. Except for the Liquor Licenses which are subject to the provisions of Section 2.4 above, to the extent any license is not transferable, but is necessary for any aspect of the operation of the Hotel, Seller shall cooperate with Purchaser by entering into such arrangements as may be usual and customary in similar transactions, provided that any such arrangements are in compliance with all applicable laws, rules and regulations, that Purchaser promptly reimburses Seller for all reasonable out-of-pocket expenses incurred by Seller in connection therewith, and that Purchaser indemnifies and holds Seller harmless from and against any liabilities arising in connection therewith.

6.3 Employee Matters.

6.3.1 On the Closing Date, Seller shall pay all employee salaries, wages, fringe benefits and other compensation, including any applicable federal, state and local taxes, for any employees of the Hotel which have accrued up to the Cut-Off Time. Seller shall terminate all of the Hotel employees effective at 11:00 a.m. local time on the Closing Date. Subject to the provisions of Section 6.3.2 hereof, Seller shall indemnify, defend and hold harmless Purchaser against any and all labor or employment claims, liabilities or obligations (including, without limitation, attorneys' fees and costs) which arise or accrue before, or arise out of events occurring before, the Closing Date, which indemnity shall survive the Close of Escrow.

6.3.2 As of the Close of Escrow, but effective at 8:00 a.m. local time on the Closing Date, Purchaser shall hire (or cause its hotel management company to hire) not less than eighty percent (80%) of the employees of each Hotel. Purchaser shall indemnify, defend and hold harmless Seller, and its affiliates, owners and employees, against any and all labor or employment claims, liabilities and obligations (including, without limitation, attorneys' fees and costs) which arise or accrue from or after, or arise out of events occurring from or after the Close of Escrow, including, without limitation, all claims arising from the termination by Purchaser of any Hotel employee or personnel performing services at or for the Hotel, and Purchaser's decision to continue or discontinue any employment policy or practice of Seller in existence or effect at the Hotel prior to the Close of Escrow, which indemnity shall survive the Close of Escrow. The foregoing indemnity shall survive the Close of Escrow.

6.3.3 Purchaser acknowledges that Seller is not giving any notice under, or otherwise complying with, the Worker Adjustment and Retraining Notification Act and/or any applicable state law counterpart (together with all rules and regulations promulgated thereunder, the "WARN Act"). Purchaser agrees to hire a sufficient number of the Hotel employees, and on

such terms and conditions, as to avoid any violation of the WARN Act in the absence of such notice, and agrees to indemnify and defend Seller, and to hold Seller harmless, from and against any and all loss, damage, liability, claim, cost or expense (including, without limitation, reasonable attorneys fees) incurred by any of such parties as a result of the failure to give such notice or otherwise comply with the WARN Act.

6.4 Exclusive Dealings. Purchaser and Seller agree that, in consideration of the payment of the Earnest Money Deposit, and Purchaser's projected efforts and undertakings, and in preparing the necessary legal documentation to complete the purchase transaction, neither Seller, nor any of its affiliates, agents, representatives, officers, directors, partners or shareholders, will engage in any negotiations, or accept any offers, regarding the sale, exchange, or other conveyance of the Property until the later of the Closing Date, or the date Purchaser and Seller mutually agree to extend the Closing Date, or such sooner date as Purchaser terminates this Agreement and cancels the Escrow.

6.5 No Obligations of Escrow Holder. Escrow Holder shall not be concerned with the provisions of this Article VI.

6.6 Property Improvement Plans. As soon as possible following the Effective Date, Sellers shall arrange with the Franchisor for each Hotel for the inspection and creation of a Product Improvement Plans (each, a "PIP") for each Hotel and shall endeavor to have each such PIP completed as promptly as possible. Purchaser shall be responsible for paying or reimbursing Seller for any fees or expenses charged by the Franchisor for completing such inspections and preparing the PIPs. To the extent permitted by the Franchisor, the PIP inspections shall be scheduled in coordination with Purchaser, and Purchaser shall have the right to attend such inspections, provided that Purchaser shall not have the right to modify the Franchisor's inspection schedule or otherwise change the timing of such inspections. In that regard, Sellers hereby agree to request that Franchisor allow Purchaser to attend any such inspections and Sellers shall provide Purchaser notice of any such inspections promptly after receiving notice thereof from Franchisor. Purchaser shall be responsible for completing the work required by each PIP following Closing and for paying all costs associated with any PIP (the "PIP Costs"), provided that, if the aggregate of such PIP Costs exceed Nine Million Dollars ($9,000,000), then Purchaser and Seller shall bear equally the next One Million Dollars ($1,000,000) in PIP Costs. Thereafter, all PIP Costs shall be the sole responsibility of Purchaser.

6.7 Defeasance of Existing Indebtedness. Seller shall use commercially reasonable efforts to cause the defeasances of any existing defeasance to occur on the initially scheduled Closing Date; provided, however, if Seller is unable to cause the defeasance to occur on or before the Closing Date, Seller shall have the right, by written notice to Purchaser, given not later than the third (3rd) business day prior to the Closing Date to postpone the Closing Date for up to ten (10) business days. Furthermore, Purchaser agrees to cooperate in all reasonable respects with Seller in order to permit Seller to defease any existing indebtedness on a Property so as to minimize the cost and time for effecting such defeasance, using the proceeds of the sale of the Property to effectuate such defeasance, including by depositing such proceeds in an appropriate escrow in advance of Closing in accordance with the usual and customary procedures for similar defeasances, provided that Purchaser is not required to incur any additional liability or material expense.

6.8 Independent Audit. From the Effective Date until two (2) years after the Closing, Seller shall make the books and records of the Property available to Purchaser for inspection, copying and audit by Purchaser's designated accountants, and at Purchaser's expense. Seller shall provide Purchaser, but without third-party expense to Seller, with copies of, or access to, such factual information as may be reasonably requested by Purchaser, and in the possession or control of Seller, to enable Purchaser or any of its constituent members to file a registration statement and otherwise comply with applicable filing requirements of the SEC. Without limiting the foregoing, (x) Purchaser or its designated independent or other accountants may audit the operating statements of the Property, and Seller shall supply such documentation in its possession or control as Purchaser or its accountants may reasonably request in order to complete such audit, and (y) Seller shall furnish Purchaser with such financial and other information within Seller's possession or control as may be reasonably required by Purchaser to make any required filings with the SEC or other governmental authority. This Section 6.8 shall survive the Closing.

6.9 Bulk Transfers. Seller and Purchaser specifically waive compliance with the applicable provisions of the Uniform Commercial Code — Bulk Transfers and with any similar provision under the laws of the state, county and city in which any Property is located. Seller shall indemnify Purchaser for any claims made by creditors under the applicable bulk sales laws relating solely to any pre-Closing payment obligations to such creditors and only in the amount of the payments due to or claimed to be due to such creditors.

VII.

REPRESENTATIONS AND WARRANTIES

7.1 Purchaser's Representations and Warranties. Purchaser represents and warrants to Seller that as of the date hereof and the Close of Escrow:

7.1.1 Organization and Standing. Purchaser is a real estate investment trust, duly organized, validly existing, and in good standing under the laws of the State of Maryland and has the full power and authority to enter into this Agreement and to carry out the transactions contemplated hereby to be carried out by it.

7.1.2 Due Authorization. The performance of this Agreement and the transactions contemplated hereunder by Purchaser have been duly authorized by all necessary action on the part of Purchaser, and this Agreement is binding on and enforceable against Purchaser in accordance with its terms. Purchaser shall, on or prior to the Closing Date, furnish Seller with certified resolutions evidencing that Purchaser has been duly authorized to enter into and perform this Agreement and the transactions contemplated hereunder. No further consent of any shareholder, creditor, board of directors, governmental authority or other party to such execution, delivery and performance hereunder is required. The person(s) signing this Agreement, and any document pursuant hereto on behalf of Purchaser, has full power and authority to bind Purchaser.

7.1.3 Lack of Conflict. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will violate any restriction, court order, judgment, law, regulation, charter, bylaw, instrument or agreement to which Purchaser is subject.

7.1.4 Solvency/Bankruptcy. Purchaser has not (i) made any general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition in bankruptcy by Purchaser's creditors, (iii) suffered the appointment of a receiver to take possession of all, or substantially all, of Purchaser's assets, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of Purchaser's assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made any offer of settlement, extension or compromise to its creditors generally, and has not considered doing or undertaking, and has no current plans to do or undertake, any of the foregoing. Furthermore, Purchaser has not taken, and does not contemplate taking, against it any such actions.

7.2 Sellers' Representations and Warranties. Each Seller represents and warrants (but solely for itself and its own Property, and not for any other Seller or any other Property) to Purchaser that as of the date hereof and, subject to the provisions of the paragraph following Section 7.2.16 hereof, Close of Escrow:

7.2.1 Organization and Standing. Each Seller is a limited liability company or limited partnership, as reflected on "Exhibit "A" to this Agreement, duly organized under the laws of the State of Delaware, is validly existing, and in good standing under the laws of the State of Delaware, and has the full power and authority to enter into this Agreement and to carry out the transactions contemplated hereby to be carried out by it.

7.2.2 Due Authorization. The performance of this Agreement and the transactions contemplated hereunder by Seller have been duly authorized by all necessary action on the part of Seller, and this Agreement is binding on and enforceable against Seller in accordance with its terms. Seller shall, on or prior to the Closing Date, furnish Purchaser with certified resolutions evidencing that Seller has been duly authorized to enter into and perform this Agreement and the transactions contemplated hereunder. No further consent of any member, manager, creditor, governmental authority or other party to such execution, delivery and performance hereunder is required. The person(s) signing this Agreement, and any document pursuant hereto on behalf of Seller, has full power and authority to bind Seller.

7.2.3 Lack of Conflict. Neither the execution of this Agreement nor the consummation of the transactions contemplated herein will violate any restriction, court order, judgment, law, regulation, charter, bylaw, instrument, or agreement to which Seller or the Property (or any portion thereof) are subject.

7.2.4 Non-Foreign Seller. Seller is not a foreign seller as defined in the "Foreign Investment in Real Property Tax Act."

7.2.5 Solvency/Bankruptcy. Seller has not (i) made any general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition in bankruptcy by Seller's creditors, (iii) suffered the appointment of a receiver to take possession of all, or substantially all of Seller's assets, (iv) suffered the

attachment or other judicial seizure of all or substantially all, of Seller's assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally, and has not considered doing or undertaking, and has no current plans to do or undertake any of the foregoing. Furthermore, Seller has not and does not contemplate taking or having taken against it, any such actions.

7.2.6 Litigation. As of the date hereof, except as set forth on Exhibit "H" hereto, Seller has not been served with any pending actions, suits, arbitrations, governmental investigations or other proceedings, and to its best knowledge, none of the foregoing are pending or threatened against Seller or affecting the Property before any court or governmental authority.

7.2.7 Condemnation. As of the date hereof, Seller has not been served with notice of any pending or threatened condemnation actions or special assessments of any nature with respect to the Property or any part thereof, and has no knowledge of any of the foregoing being contemplated.

7.2.8 Contracts. All Material Contracts to which Seller is currently a party (except for Bookings, gift certificates and similar promotional arrangements), and all amendments thereto, are listed on Exhibit "C" attached hereto. Seller has or will make available to Purchaser true copies of all such Contracts. All such Contracts are in full force and effect, and to the best of Seller's knowledge, there are no material defaults or events that with notice or the passage of time or both, would constitute a material default by Seller under any such Contracts, nor by any other party thereto.

7.2.9 Licenses and Permits. All authorizations have been obtained and are in full force and effect. Seller has made or will make available to Purchaser true copies of each such authorization. Seller has not received a written notice from any applicable governmental authority (A) of any violation, default, intended or threatened non-renewal, suspension or revocation of any of the authorizations, the loss of which would have a material adverse effect on the present use and occupancy of the Real Property or (B) that it lacks any permits or licenses necessary for the present use and occupancy of the Real Property.

7.2.10 Real Property Tax Assessments. Seller has received no written notice from any tax assessor of any proposed increase in real estate taxes with respect to the Hotel, other than normal fiscal year increases.

7.2.11 Employee Agreements. There are no agreements to which Seller is a party relating to any labor or collective bargaining agreement affecting the Hotel. Seller has not received any written notice from any labor union or group of employees that such union or group represents or believes or claims it represents or intends to represent any of the employees of Seller nor has it received any notice of any claim of unfair labor practices. Seller has and shall maintain through the Closing Date a level of employment at the Hotel that is sufficient for the normal business operations of the Hotel at standards required by the Franchise Agreement.

7.2.12 Insurance. Seller has and shall maintain through the Closing Date insurance policies equivalent in all material respects to those currently maintained by Seller, which policies are consistent with the requirements of the lender under the existing financing and

under the Franchise Agreement. Seller has not received any notice of cancellation or threatened cancellation of any insurance policy applicable to any Property.

7.2.13 Ownership of Personal Property. Except as may otherwise be provided in any Contracts, Seller is the sole owner of all Personal Property and, at Closing, none of the Personal Property shall be encumbered by any lien or claim of any other person or entity, except for the Existing Indebtedness.

7.2.14 Food and Beverage Inventory. Except as may otherwise be provided in any Contracts, all Food and Beverage Inventory is free and clear of any lien or claim, except for the Existing Indebtedness.

7.2.15 Violations. Seller has received no written notice of any violation of any laws, including environmental laws with respect to any Property that has not been cured as required by law.

7.2.16 No Offers. Seller has not granted any right to purchase, option or other right with respect to any Property.

Wherever the phrase "to Seller's knowledge" or any similar phrase stating or implying a limitation on the basis of knowledge appears in this Agreement, unless specifically otherwise qualified, such phrase shall mean only the present actual knowledge of Thomas J. Baltimore, Jr. and of Howard Isaacson, Senior Vice President, Asset Management, without any duty of inquiry, any imputation of the knowledge of another to him, or independent investigation of the relevant matter by any of such individual(s), and without any personal liability. Wherever the phrase "in Seller's possession", "in the possession of Seller" or similar phrase appears in this Agreement, such phrase shall be deemed to mean only to the extent the material or other item referred to by such phrase is located at the Hotel or in Seller's offices in Bethesda, Maryland. Notwithstanding any provision of this Agreement to the contrary, should any of the foregoing representations and warranties of Seller become false or inaccurate prior to the Close of Escrow (provided, however, that Seller shall have the right to update such representations and warranties as a consequence of operating the Properties in accordance with the provisions of this Agreement) and provided Seller discloses the same to Purchaser, in writing, prior to the Close of Escrow, and provided any such representation or warranty was not knowingly false when made or made to be false or inaccurate through acts or omissions of Seller prior to Closing, then Purchaser's sole recourse shall be to either (i) terminate this Agreement and cancel the Escrow, in which case the Earnest Money Deposit shall be returned to Purchaser and neither Seller nor Purchaser will have any further liability or obligation under this Agreement (except for those obligations which survive in accordance with their terms), or (ii) proceed with the closing, without reservation, in which case Purchaser shall be deemed to have waived all claims against Sellers with respect to such false or inaccurate representation and warranty. If any such representation or warranty was knowingly false when made or made to be false or inaccurate through intentional acts or omissions of Seller prior to Closing, then Purchaser shall be entitled to all damages (and subject to all limitations) available to Purchaser as provided in this Agreement for a default of Seller hereunder.

VIII.

CONDITIONS PRECEDENT TO CLOSE OF ESCROW

8.1 Conditions to Seller's Obligations. The obligation of Sellers to close the Escrow shall be subject to the satisfaction or Notice of its waiver (delivered to Purchaser and Escrow Holder), in whole or in part, by Sellers of each of the following conditions precedent:

(a) Except by reason of a default by Sellers, Escrow Holder is in a position to and will deliver to Sellers the instruments and funds accruing to Sellers pursuant to the provisions of this Agreement;

(b) There is no existing uncured material breach of any of the covenants, representations, warranties or obligations of Purchaser set forth in this Agreement that has not been waived by Seller;

(c) The IPO Condition has been satisfied; and

(d) With respect to each Property, Seller has been released from all obligations under the Franchise Agreement by the franchisor thereunder, provided, Seller covenants to take all steps reasonably required by the franchisor for such release and, to the extent this condition fails due to Seller's failure to execute and deliver franchisors' customary termination agreements (which may include, but not be limited to, a general release of the applicable franchisor by the applicable Seller) and perform customary obligations thereunder (which may include, but not be limited, paying any fees accrued under the franchise agreements through the date of closing), Seller shall be deemed to be in default under this Agreement, unless Seller otherwise waives this condition.

The foregoing conditions contained in this Section 8.1 are intended solely for the benefit of Sellers. Sellers shall at all times have the right to waive any condition precedent, provided that such waiver is in writing and delivered to Purchaser and Escrow Holder. In the event that the IPO Condition has not been fully satisfied and Close of Escrow has not occurred by March 31, 2010, Seller shall have the right, in its sole discretion, to terminate this Agreement by written notice to Purchaser at any time. If Sellers elect to terminate this Agreement as a result of Purchaser's failure to satisfy the IPO Condition, Purchaser shall reimburse Sellers for all reasonable out-of-pocket costs and expenses, including reasonable legal fees, incurred by Sellers in connection with the negotiation of, and the performance of Sellers' obligations under, this Agreement in an aggregate amount not to exceed Seventy Five Thousand Dollars ($75,000) and, in the event of any such termination, the Earnest Money Deposit shall be delivered to Purchaser. Notwithstanding any provision herein to the contrary, in the event that Close of Escrow has not occurred by June 30, 2010, then either party, other than a party in default of its obligations hereunder, may elect to terminate this Agreement by giving notice thereof to the other, whereupon Purchaser shall reimburse Sellers for all reasonable out-of-pocket costs and expenses, including reasonable legal fees, incurred by Sellers in connection with the negotiation of, and the performance of Sellers' obligations under, this Agreement in an aggregate amount not to exceed Seventy Five Thousand Dollars ($75,000) and the Earnest Money Deposit shall be delivered to Purchaser.

8.2 Conditions to Purchaser's Obligations. The obligations of Purchaser to close the Escrow shall be subject to the satisfaction or Notice of its waiver (delivered to Sellers and Escrow Holder), in whole or in part, by Purchaser of each of the following condition precedent:

(a) Except by reason of a default by Purchaser, Escrow Holder is in a position to and will deliver to Purchaser the instruments and funds, if any, accruing to Purchaser pursuant to the provisions of this Agreement;

(b) If Purchaser is entering into new franchise agreements, the Franchise Agreements have been terminated, effective as of the Closing Date, at no cost or expense to Purchaser;

(c) There is no existing uncured material breach of any of the covenants, representations, warranties or obligations of Sellers set forth in this Agreement that has not been waived by Purchaser; and.

(d) Purchaser shall have received proceeds of not less than $100,000,000 from the closing of the public offering of securities contemplated by the draft registration statement (the "Registration Statement") on Form S-11 provided by Purchaser to Seller prior to the date hereof (the "IPO Condition").

The foregoing conditions contained in this Section 8.2 are intended solely for the benefit of Purchaser. Purchaser shall at all times have the right to waive any condition precedent, provided that such waiver is in writing and delivered to Seller and Purchaser.

8.3 Failure of Conditions to Close of Escrow. Escrow Holder shall be responsible for confirming, on or before the Close of Escrow, that the conditions to the Close of Escrow set forth in Sections 8.1 and 8.2 hereof, and as set forth elsewhere in this Agreement, have been satisfied. Purchaser and Sellers hereby agree to deliver their Notices to Escrow Holder, on or before the Close of Escrow, of the satisfaction or waiver of all other conditions to the Close of Escrow hereunder, and, in the event that both Purchaser and Sellers specifically notify and instruct Escrow Holder, in writing, to proceed to the Close of Escrow hereunder, all such other conditions to the Close of Escrow hereunder that are not otherwise satisfied shall be deemed to have been waived by both Purchaser and Sellers Escrow Holder shall not proceed to the Close of Escrow hereunder unless both Purchaser and Sellers specifically notify and instruct Escrow Holder to do so.

IX.

LIQUIDATED DAMAGES

9.1 Default by Purchaser. IN THE EVENT THE CLOSING AND THE CONSUMMATION OF THE TRANSACTION HEREIN CONTEMPLATED DOES NOT OCCUR AS HEREIN PROVIDED BY REASON OF ANY MATERIAL DEFAULT OF PURCHASER, PURCHASER AND SELLERS AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE, PURCHASER AND SELLERS DO HEREBY AGREE THAT IN THE EVENT OF SUCH DEFAULT, IN ADDITION TO ATTORNEYS'

FEES AND COSTS PURSUANT TO SECTION 12.2 HEREOF, SELLERS MAY, AS ITS SOLE RECOURSE AND REMEDY (AT LAW OR IN EQUITY), RETAIN THE EARNEST MONEY DEPOSIT, WHICH PURCHASER AND SELLERS AGREE IS A REASONABLE ESTIMATE OF THE TOTAL DAMAGES THAT SELLERS WOULD SUFFER IN THE EVENT THAT PURCHASER DEFAULTS AND FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY SAID AMOUNT SHALL BE THE FULL, AGREED AND LIQUIDATED DAMAGES FOR THE DEFAULT OF PURCHASER UNDER THIS AGREEMENT. ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES IN CONNECTION WITH ANY DEFAULT BY PURCHASER UNDER THIS AGREEMENT ARE EXPRESSLY WAIVED BY SELLERS (PROVIDED THIS LIMITATION SHALL NOT APPLY TO ANY INDEMNITY OF PURCHASER THAT EXPRESSLY SURVIVES THIS AGREEMENT). THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER. UPON DEFAULT BY PURCHASER, IF THIS AGREEMENT IS TERMINATED BY SELLERS, NEITHER PARTY SHALL HAVE ANY FURTHER RIGHTS OR OBLIGATIONS HEREUNDER, EACH TO THE OTHER, EXCEPT ANY INDEMNIFICATION OBLIGATIONS, THE RIGHTS OF SELLER RESERVED HEREIN, AND FOR THE RIGHT OF SELLERS TO COLLECT SUCH LIQUIDATED DAMAGES FROM PURCHASER AND ESCROW HOLDER. IN THE EVENT PURCHASER WRONGFULLY FAILS TO AUTHORIZE ESCROW HOLDER TO RELEASE THE EARNEST MONEY DEPOSIT WITHIN FIVE (5) BUSINESS DAYS OF THE DEMAND OF SELLERS WHEN PURCHASER HAS DEFAULTED AND SELLERS ARE ENTITLED TO LIQUIDATED DAMAGES HEREUNDER, THE PROVISIONS OF THIS ARTICLE IX SHALL BE VOIDABLE AT THE ELECTION OF SELLERS.

____________________	____________________
SELLERS' INITIALS	PURCHASER'S INITIALS

9.2 Default by Sellers. IN THE EVENT THE CLOSING AND THE CONSUMMATION OF THE TRANSACTION HEREIN CONTEMPLATED DOES NOT OCCUR AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF SELLERS, PURCHASER AND SELLERS AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH PURCHASER MAY SUFFER. THEREFORE, PURCHASER AND SELLERS DO HEREBY AGREE THAT, IN THE EVENT OF SUCH DEFAULT, IN ADDITION TO ATTORNEYS' FEES AND COSTS PURSUANT TO SECTION 12.2 HEREOF, PURCHASER MAY, AS ITS SOLE RECOURSE AND REMEDY (AT LAW OR IN EQUITY), EITHER: (a) PURSUE AN ACTION AGAINST SELLER FOR SPECIFIC PERFORMANCE; OR (b) RECEIVE (i) THE RETURN OF THE EARNEST MONEY DEPOSIT AND (ii) REIMBURSEMENT OF OUT OF POCKET EXPENSES ACCORDING TO PROOF NOT TO EXCEED AN AGGREGATE OF TWO HUNDRED THOUSAND DOLLARS ($200,000). ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES IN CONNECTION WITH SELLERS' FAILURE TO CLOSE AND CONSUMMATE THE TRANSACTIONS CONTEMPLATED HEREIN (OTHER THAN AS SPECIFIED IN (a) AND (b) HEREOF) ARE EXPRESSLY WAIVED BY PURCHASER. THE REFUND OF THE EARNEST MONEY DEPOSIT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO PURCHASER. UPON DEFAULT BY SELLERS, IF THIS AGREEMENT IS TERMINATED BY PURCHASER, NEITHER PARTY SHALL HAVE

ANY FURTHER RIGHTS OR OBLIGATIONS HEREUNDER, EACH TO THE OTHER, EXCEPT ANY INDEMNIFICATION OBLIGATIONS, THE RIGHTS OF PURCHASER RESERVED HEREIN, AND FOR THE RIGHT OF PURCHASER TO COLLECT SUCH LIQUIDATED DAMAGES FROM SELLERS.

SELLERS' INITIALS	PURCHASER'S INITIALS

X.

BROKERS

Sellers and Purchaser each agree to indemnify, protect, defend and hold the other harmless from and against any claims, actions, suits or demands for payment of any commission, finder's fee or other sum initiated by any other broker, commission agent or other person which such party or its representatives has engaged or retained or with which it has had discussions concerning, in connection with the transaction contemplated by this Agreement or the sale of the Property by Sellers.

XI.

NOTICES

Except as otherwise expressly provided in this Agreement, all notices, requests, demands and other communications hereunder ("Notice") shall be in writing and shall be deemed delivered by (i) hand delivery upon receipt, (ii) registered mail or certified mail, return receipt requested, postage prepaid, upon delivery to the address indicated in the Notice, (iii) by confirmed telecopy or facsimile transmission when sent, and (iv) overnight courier (next business day delivery) on the next business day at 12:00 noon, whichever shall occur first, as follows:

To Sellers:	c/o RLJ DEVELOPMENT, LLC Attention: Thomas J. Baltimore, Jr. 3 Bethesda Metro Center, Suite 1000 Bethesda, Maryland 20814 Telecopier: (301) 280-7782
With a copy to:	Gerard Leval, Esq. Arent Fox, LLP 1050 Connecticut Avenue, N.W. Washington D.C. 20036-5339 Telecopier: (202) 857-6395
To Purchasers:	CHATHAM LODGING TRUST. 50 Cocoanut Row, Suite 211 Palm Beach, FL 33480 Attention: Jeffrey H. Fisher Telecopier: (561) 659-7318

With a copy to: HUNTON & WILLIAMS LLP
1900 K Street, NW
Washington, DC 20006
Attention: John M. Ratino, Esq.
Telecopier: 202-778-2201

Any correctly addressed Notice that is refused, unclaimed or undelivered because of an act or omission of the party to be notified shall be considered to be effective as of the first day that the Notice was refused, unclaimed or considered undeliverable by the postal authorities, messenger or overnight delivery service. The parties hereto shall have the right from time to time, and at any time, to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America, by giving to the other party at least thirty (30) days prior Notice thereof, in the manner prescribed herein; provided, however, that to be effective, any such change of address must be actually received (as evidenced by a return receipt). Telephone numbers and email addresses, if listed, are listed for convenience purposes only and not for the purposes of giving Notice pursuant to this Agreement.

XII.

MISCELLANEOUS

12.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland. If any legal action is necessary to enforce the terms and conditions of this Agreement, the parties hereby agree that the courts located in Montgomery County, Maryland shall be the sole jurisdiction and venue for the bringing of the action.

12.2 Professional Fees and Costs. If a lawsuit, arbitration or other proceedings are instituted by any party to enforce any of the terms or conditions of this Agreement against any other party hereto, the prevailing party in such litigation, arbitration or proceedings shall be entitled, as an additional item of damages, to such reasonable attorneys' and other professional fees and costs (including, but not limited to, witness fees), court costs, arbitrators' fees, arbitration administrative fees, travel expenses, and other out-of pocket expenses or costs of such other proceedings, as may be fixed by any court of competent jurisdiction, arbitrator or other judicial or quasi-judicial body having jurisdiction thereof, whether or not such litigation or proceedings proceed to a final judgment or award. For the purposes of this section, any party receiving an arbitration award or a judgment for damages or other amounts shall be deemed to be the prevailing party, regardless of amount of the damage awarded or whether the award or judgment was based on all or some of such party's claims or causes of action, and any party against whom a lawsuit, arbitration or other proceeding is instituted and later voluntarily dismissed by the instituting party shall be deemed to be the prevailing party.

12.3 Exhibits and Schedules a Part of This Agreement. The Exhibits and Schedules attached hereto are incorporated in this Agreement by reference and are hereby made a part hereof.

12.4 Executed Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Agreement shall become effective upon the due execution and delivery of this Agreement to the parties hereto.

12.5 Assignment. Purchaser may not assign, convey and otherwise transfer all or any part of its interest or rights herein without the prior written consent of Sellers, which consent may be withheld in Sellers' sole discretion. Notwithstanding the foregoing, however, Purchaser may, not later than five (5) business days prior to the Closing Date, assign and transfer all of its rights and obligations under this Agreement to one (1) or more wholly owned subsidiary(ies) thereof, or to an Affiliate(s) thereof, or to any entity controlled (directly or indirectly, through voting or equity ownership) by Purchaser or any Affiliate thereof; provided, however, that Purchaser shall not be released of its obligations under this Agreement as a result of any such assignment. Any assignment as permitted in the preceding sentence shall be conditioned upon Purchaser delivering to Sellers and Escrow Holder, not later than five (5) days prior to the Closing Date Notice thereof, together with a copy of such assignee's organizational and formation documents and instruments, a Certificate of Good Standing for such assignee, and copies of the resolutions of Purchaser and such assignee authorizing such assignment. As a further condition to any such permitted assignment, Purchaser shall cause its assignee to execute an assignment and assumption agreement of Purchaser's obligations under this Agreement (in form and content reasonably and mutually acceptable), and such other documents and instruments as Escrow Holder may reasonably request. "Affiliate" shall mean an entity that is majority-owned and controlled by Purchaser or the members or partners of Purchaser or in which Purchaser is the general partner or managing member.

12.6 IRS — Form 1099-S. For purposes of complying with Section 6045 of the Internal Revenue Code of 1986, as amended, Escrow Holder shall be deemed the "person responsible for closing the transaction" and shall be responsible for obtaining the information necessary to file with the Internal Revenue Service Form 1099-S, "Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions."

12.7 Successors and Assigns. Subject to the provisions of Section 12.5 hereof, this Agreement shall be binding upon and inure to the benefit of the parties' respective successors and permitted assigns.

12.8 Time is of the Essence. Time is of the essence of this Agreement.

12.9 Entire Agreement. This Agreement, and Exhibits and Schedules and other documents and instruments attached to or referenced herein, contain all representations and the entire understanding and agreement between the parties hereto with respect to the purchase and sale of the Property, and all prior and contemporaneous understandings, letters of intent, agreements and representations, whether oral or written, are entirely superseded. In executing this Agreement, Sellers and Purchaser each expressly disclaim any reliance on any oral or written representations, warranties, comments, statements or assurances made by Sellers,

Purchaser, and any of their respective affiliates, and their respective agents, employees, representatives, attorneys or brokers, as an inducement or otherwise, to Purchaser's and Sellers' respective execution hereof. No amendment of this Agreement shall be binding unless in writing and executed by the parties hereto.

12.10 Further Assurances. Whenever and so often as requested by a party, the other party will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things as may be necessary and reasonably required in order to further and more fully vest in such requesting party all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon it by this Agreement, or to effectuate the termination of this Agreement and cancellation of the Escrow (if otherwise permitted hereunder). The terms of this section shall survive the Close of Escrow and/or termination of this Agreement.

12.11 Waiver. Failure or delay by either party to insist on the strict performance of any covenant, term, provision or condition hereunder, or to exercise any option herein contained, or to pursue any claim or right arising herefrom, shall not constitute or be construed as a waiver of such covenant, term, provision, condition, option, claim or right. Any waiver by either party shall be effective only if in a writing delivered to the other party hereto and setting forth, with specificity, the covenant, term, provision or condition so waived. Any such waiver shall not constitute or be construed as a continuing waiver of any subsequent default.

12.12 Headings. The headings of this Agreement are for purposes of convenience only and shall not limit or define the meaning of the provisions of this Agreement.

12.13 Risk of Loss. With respect to each Property, the risk of loss shall be as follows:

12.13.1 Risk of Loss. Until the Closing Date, Seller shall bear the risk of loss should there be damage to any of the Improvements by fire or other casualty (collectively "Casualty"). If, prior to the Closing Date, any of the Improvements shall be damaged by any Casualty, Seller shall promptly deliver to Purchaser a Notice ("Casualty Notice") of such event. Upon Purchaser's receipt of a Casualty Notice, Seller and Purchaser shall meet promptly to estimate the cost to repair and restore the Improvements to good condition and to replace the damaged Personal Property ("Casualty Renovation Cost"). If the parties are unable to agree on the cost of restoration, the matter will be submitted to an engineer designated by Seller and an engineer designated by Purchaser, each licensed to practice in the state in which the Land is located, and the engineers shall resolve the dispute. Each party hereto shall bear the costs and expenses of its own engineer.

12.13.2 Material Loss. If the Casualty Renovation Cost exceeds in the aggregate (i) One Million Five Hundred Thousand Dollars ($1,500,000.00) in the event the Casualty is insured against, or (ii) Seven Hundred Fifty Thousand Dollars ($750,000.00) in the event the Casualty is not insured against, either party hereto may, at its option, elect to terminate this Agreement by Notice to the other party within five (5) days after the date that the Casualty Renovation Cost is determined, in which case the Earnest Money Deposit shall be delivered to Purchaser, and neither party shall have any further rights or obligations hereunder, except for any continuing confidentially and indemnity obligations as provided in this Agreement. If both

parties hereto fail to timely make its election to terminate this Agreement, then the Close of Escrow shall take place as provided herein without reduction of the Purchase Price, and Seller shall assign the insurance proceeds to Purchaser in the event the Casualty is insured against and shall pay to Purchaser the amount of any deductible, under applicable insurance policies, or have the Purchase Price reduced by the Casualty Renovation Cost in the event the Casualty is not insured against.

12.13.3 Nonmaterial Loss. If the Casualty Renovation Cost is in the aggregate (i) One Million Five Hundred Thousand Dollars ($1,500,000.00) or less in the event the Casualty is insured against, or (ii) Seven Hundred Fifty Thousand Dollars ($750,000.00) or less in the event the Casualty is not insured against, then, in any such event, neither party hereto shall have any right to terminate this Agreement, but the Closing shall take place as provided herein without reduction of the Purchase Price, and Seller shall assign the insurance proceeds to Purchaser and shall pay to Purchaser the amount of any deductible in the event the Casualty is insured against or have the Purchase Price reduced by the Casualty Renovation Cost in the event the Casualty is not insured against.

12.13.4 Eminent Domain. If, prior to the Close of Escrow, (i) all or substantially all (or so much thereof so as to substantially and materially interfere with the operation of the Hotel) of the Real Property, (ii) any portion of the parking areas on the Real Property which results in there being insufficient parking for the operation of the Hotel as established by applicable governmental codes and regulations, or (iii) any access-way to the Real Property or to any part of any building with guest rooms is taken by condemnation or eminent domain, at the election of Purchaser this Agreement shall, upon the giving of Notice of such event or of the condemning authorities' intention so to take the Real Property, terminate, and Purchaser shall receive a full and prompt refund of all sums deposited by them with Escrow Holder and/or Seller. If, prior to the Close of Escrow, less than all or substantially all of the Real Property shall be taken by condemnation or eminent domain, then, if any of the foregoing, in Purchaser's reasonable opinion, materially impairs the value of the Real Property or any significant interest therein, then Purchaser shall have the option to (A) accept title to the Real Property subject to such taking, in which event at the Close of Escrow all of the proceeds of any award or payment made or to be made by reason of such taking shall be assigned by Seller to Purchaser, and any money theretofore received by Seller in connection with such taking shall be paid over to Purchaser, whereupon Purchaser shall pay the Purchase Price without abatement by reason of such taking, or (B) receive a full and prompt refund of all sums deposited by Purchaser with Escrow Holder and/or Seller. Seller shall not settle, agree to, or accept any award or payment in connection with a taking of less than all of the Real Property without obtaining Purchaser's prior written consent in each case, which consent shall not be unreasonably withheld or delayed.

12.14 Construction of Agreement. The parties hereto have negotiated this Agreement at length, and have had the opportunity to consult with, and be represented by, their own competent counsel. This Agreement is, therefore, deemed to have been jointly prepared. In determining the meaning of, or resolving any ambiguity with respect to, any word, phrase or provision of this Agreement, no uncertainty or ambiguity shall be construed or resolved against any party under any rule of construction, including the party primarily responsible for the drafting and preparation of this Agreement. The words "herein," "hereof," "hereunder" and words of similar reference shall mean this Agreement. The words "this Agreement" include the

exhibits, schedules addenda and any future written modifications, unless otherwise indicated by the context. All words in this Agreement shall be deemed to include any number or gender as the context or sense of the Agreement requires. The words "will," "shall" and "must" in this Agreement indicate a mandatory obligation. The use of the words "include," "includes" and "including" followed by one or more examples is intended to be illustrative and is not a limitation on the scope of the description or term for which the examples are provided. All dollar amounts set forth in this Agreement are stated in United States Dollars, unless otherwise specified. The words "day" and "days" refer to calendar days unless otherwise stated. The words "business day" refer to a day other than a Saturday, Sunday or legal holiday on which banking institutions are closed. The words "month" and "months" refer to calendar months unless otherwise stated. The words "year" and "years" refer to calendar years unless otherwise stated.

12.15 Tax Deferred Exchange. The following provisions shall apply with respect to each Property:

12.15.1 Seller and Purchaser ("Cooperating Party") each agree to fully cooperate with the other (and any owner of such other party) ("Exchangor") (including cooperation with any Intermediary (as defined herein) selected by Exchangor) to structure the acquisition of the Property and/or the Real Property as an exchange of property held for productive use in a trade or business or for investment within the meaning of Section 1031 of the Internal Revenue Code of 1986 (as amended), and upon request, Cooperating Party agrees to execute additional escrow instructions, documents, agreements or instruments to effect the exchange; provided, however, that Cooperating Party shall incur no additional costs or expenses in this transaction, or be required to incur any additional liability, acquire, accept or hold title to any property (other than the Property), as a result of or in connection with any such exchange, unless because of Cooperating Party's default hereunder or under any agreement executed by reason of this Section 12.15.

12.15.2 Exchangor agrees to indemnify, defend or hold Cooperating Party harmless from and against any and all additional costs, expenses, claims, demands, liabilities, losses, obligations, damages, recoveries, and deficiencies (such categories being collectively referred to herein as "Liabilities") in excess of those Liabilities that Cooperating Party would otherwise have if the transaction contemplated in this Agreement closes as a sale transaction, and that Cooperating Party may incur or suffer, as a result of or in connection with (i) the structuring of the transaction contemplated in this Agreement as an exchange under Internal Revenue Code Section 1031 and/or (ii) the execution of any documents in connection with the exchange. Exchangor's foregoing indemnity shall not indemnify Cooperating Party for any Liabilities arising as a result of or in connection with any default by Cooperating Party under this Agreement or any default by Cooperating Party under any of the documents or agreements entered into by Cooperating Party in connection with the exchange or for any negligence or willful misconduct on the part of Cooperating Party. Implementation of the exchange(s) contemplated in this Section 12.15 shall not be a condition to the Close of Escrow.

12.15.3 Exchangor, at its election, may substitute for any one or more of them, one or more persons or entities ("Intermediary") as a party(ies) to the Escrow and this Agreement, in which event the Intermediary shall assume and perform the obligations of

Exchangor under this Agreement (but without the release of liability of Exchangor for such performance), and Cooperating Party agrees to accept the performance by Intermediary and shall tender its performance to Intermediary.

12.16 Covenants, Representations and Warranties. Except as otherwise set forth in this Agreement, all of the covenants, representations and agreements of Sellers and Purchaser set forth in this Agreement shall survive the Close of Escrow, except that all representations and warranties shall survive only for a period of nine (9) months after the Close of Escrow. By proceeding with the closing of the sale transaction, Sellers and Purchaser shall be deemed to have waived, and so covenant to waive, any claims of defaults or breaches by the other party existing on or as of the Close of Escrow whether under this Agreement or any other document or instrument executed by the other party in connection with this transaction, of which the waiving party has actual knowledge of prior to the Close of Escrow for which the other party shall have no liability.

12.17 Confidentiality. Other than as required or permitted by the terms of this Agreement, no party hereto shall release or cause or permit to be released any press notices or releases or publicity (oral or written) or advertising promotion relating to, or otherwise announce or disclose or cause or permit to be announced or disclosed, in any manner whatsoever, the terms and conditions of the purchase and sale transaction for the Properties, nor shall Purchaser or its agents or representatives disclose, in any manner whatsoever, (a) the information provided to Purchaser by any Seller or its representatives, or (b) any analyses, compilations, studies or other documents or records prepared by or on behalf of Purchaser, in connection with Purchaser's due diligence investigation of the Property, without first obtaining the written consent of Sellers (collectively, "Proprietary Information"). The foregoing shall not preclude Purchaser (i) from discussing the Proprietary Information with any person who is employed by Purchaser or who, on behalf of Purchaser, is actively and directly participating in the purchase and sale of the Property, including, without limitation, to Purchaser's existing or prospective investors, shareholders, partners, members, existing or prospective lenders, attorneys, accountants and other consultants and advisors, or (ii) from complying with all laws, rules, regulations and court orders, including, without limitation, governmental regulatory, disclosure, tax and reporting requirements. Seller acknowledges that, in connection with the Public Offering and the future operation of a public company, Purchaser shall be permitted to disclose to its underwriter and prospective investors any and all information regarding the term of terms of this transaction and the Properties that Purchaser determines in its sole, but reasonable, discretion to be material or otherwise necessary or advisable in order to comply with its disclosure requirements.

12.18 Limitation on Liability. In consideration of the benefits accruing hereunder, Sellers and Purchaser agree that, in the event of any actual or alleged failure, breach or default of this Agreement by Sellers or Purchaser:

(a) The sole and exclusive remedy shall be against the defaulting party and its assets;

(b) No owner of the defaulting party shall be sued or named as a party in any suit or action;

(c) No service of process shall be made against any owner or employee of the defaulting party (except as may be necessary to secure jurisdiction of the defaulting party);

(d) No owner or employee of the defaulting party shall be required to answer or otherwise plead to any service of process;

(e) No judgment may be taken against any owner or employee of the defaulting party;

(f) Any judgment taken against any owner or employee of the defaulting party may be vacated and set-aside at any time without hearing;

(g) No writ of execution will ever be levied against the assets of any owner or employee of the defaulting party; and

(h) These covenants and agreements are enforceable both by the defaulting party and also by any owner or employee of the defaulting party.

In addition to the foregoing, and notwithstanding any other term or provision of this Agreement to the contrary, except as to any Seller's fraud, Sellers shall have no liability for the breach of any representation, warranty, covenant, indemnity or other obligation expressly stated to survive the Close of Escrow (collectively, "Sellers' Post-Closing Obligations"), unless and until the aggregate amount of Purchaser's out-of-pocket damages and third party expenses directly resulting from such breaches shall exceed, and then only to the extent the same exceeds, Twenty Five Thousand Dollars ($25,000). Furthermore, Sellers' aggregate liability under this Agreement (or otherwise) for the breach of any and all of Sellers' Post-Closing Obligations shall, in no event individually or in the aggregate, exceed two and one-half percent (2.5%) of the Purchase Price. In no event shall Seller have any liability for punitive damages, consequential damages, or damages for diminution-in-value, but shall only be liable for Purchaser's actual out-of-pocket damages and third party expenses.

12.19 No Third-Party Beneficiaries. Sellers and Purchaser agree that there are no third parties who are intended to benefit from or who are entitled to rely on any of the provisions of this Agreement. No third party shall be entitled to assert any claims or to enforce any rights whatsoever pursuant to this Agreement. The covenants and agreements provided in this Agreement are solely for the benefit of Sellers and Purchaser and their permitted successors and assigns respectively.

12.20 Facsimile Signatures. The execution of this Agreement and all Notices given hereunder and all amendments hereto, may be effected by facsimile signatures, all of which shall be treated as originals; provided, however, that the party receiving a document with a facsimile signature may, by Notice to the other, require the prompt delivery of an original signature to evidence and confirm the delivery of the facsimile signature. Purchaser and Sellers each intend to be bound by its respective facsimile transmitted signature, and is aware that the other party will rely thereon, and each party waives any defenses to the enforcement of the Agreement, and documents, and any Notices delivered by facsimile transmission.

[The remainder of this page is intentionally left blank]

[Signatures on following page]

XIII.

EXECUTION

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the 16th day of November, 2009.

SELLERS:

RLJ BILLERICA HOTEL, L.L.C.

By: /s/ Thomas J. Baltimore, Jr.
Thomas J. Baltimore, Jr.
President

RLJ BLOOMINGTON HOTEL, L.L.C.

By: /s/ Thomas J. Baltimore, Jr.
Thomas J. Baltimore, Jr.
President

RLJ BRENTWOOD HOTEL, L.L.C.

By: /s/ Thomas J. Baltimore, Jr.
Thomas J. Baltimore, Jr.
President

RLJ DALLAS HOTEL LIMITED PARTNERSHIP

By: RLJ Dallas Hotel Gen-Par, L.L.C.
General Partner

By: /s/ Thomas J. Baltimore, Jr.
Thomas J. Baltimore, Jr.
President

[Signatures continued on next page.]

RLJ FARMINGTON HOTEL, L.L.C.

By: /s/ Thomas J. Baltimore, Jr.
Thomas J. Baltimore, Jr.
President

RLJ MAITLAND HOTEL, L.L.C.

By: /s/ Thomas J. Baltimore, Jr.
Thomas J. Baltimore, Jr.
President

PURCHASER:

CHATHAM LODGING TRUST

By: /s/ Jeffrey H. Fisher
Name: Jeffrey H. Fisher
Title: Chief Executive Officer

ESCROW HOLDER HEREBY ACKNOWLEDGES
AND AGREES TO THE ESCROW INSTRUCTIONS
SET FORTH IN THIS AGREEMENT.

CHICAGO TITLE INSURANCE COMPANY

BY: /s/ R. Eric Taylor
Name: R. Eric Taylor
Title: Vice President and Senior Counsel

Dated: November 16, 2009

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-11 of our report dated November 4, 2009 relating to the balance sheet of Chatham Lodging Trust (a development stage company), which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
December 7, 2009

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-11 of Chatham Lodging Trust of our report dated November 30, 2009 relating to the combined financial statements of RLJ Billerica Hotel, LLC, RLJ Brentwood Hotel, LLC, RLJ Bloomington Hotel, LLC, RLJ Dallas Hotel Limited Partnership, RLJ Farmington Hotel, LLC, and RLJ Maitland Hotel, LLC (collectively the “Initial Acquisition Hotels”), which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
McLean, Virginia
December 7, 2009