Chesapeake Lodging Trust
Form S-11/A
October 05, 2010
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As filed with the Securities and Exchange Commission on October 5, 2010

Registration No. 333-169500

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Amendment No. 1

to

FORM S-11

FOR REGISTRATION UNDER

THE SECURITIES ACT OF 1933 OF SECURITIES

OF CERTAIN REAL ESTATE COMPANIES

CHESAPEAKE LODGING TRUST

(Exact Name of Registrant as Specified in Governing Instruments)

1997 Annapolis Exchange Parkway

Suite 410

Annapolis, MD 21401

(410) 972-4140

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Douglas W. Vicari Executive Vice President, Chief Financial Officer and Treasurer

1997 Annapolis Exchange Parkway

Suite 410

Annapolis, MD 21401

(410) 972-4142

(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 being 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. ¨

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. ¨

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. ¨

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. ¨

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

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	¨	Accelerated filer	¨
Non-accelerated filer	þ (do not check if a smaller reporting company)	Smaller reporting company	¨

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, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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The information in this preliminary 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 preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale of the securities is not permitted.

Subject to Completion, dated October 5, 2010

Prospectus

6,500,000 Common Shares of Beneficial Interest

CHESAPEAKE LODGING TRUST

Chesapeake Lodging Trust is a self-advised hotel investment company that invests primarily in upper-upscale hotels in major business, airport and convention markets and, on a selective basis, in premium select-service hotels in urban settings or unique locations in the United States.

We are offering 6,500,000 of our common shares of beneficial interest pursuant to this prospectus. Our common shares are listed on the New York Stock Exchange, or NYSE, under the symbol CHSP. On October 4, 2010, the last reported sale price of our common shares on the NYSE was $16.50 per share.

We have requested that the underwriters offer 54,000 of these shares to our executive officers, including James L. Francis, our president and chief executive officer, and members of our board of trustees and their affiliates. We refer to these executive officers and trustees as affiliated purchasers. The underwriters will not receive any underwriting discount or commission on the sale of our common shares to any affiliated purchaser.

We intend to elect and qualify to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes, beginning with our taxable year ending December 31, 2010. To assist us in qualifying as a REIT, shareholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding common or preferred shares of beneficial interest. See Description of shares of beneficial interest Restrictions on ownership and transfer.

Investing in our common shares involves risks. See Risk factors beginning on page 12 of this prospectus for certain risk factors relevant to an investment in our common shares.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also purchase up to an additional 975,000 common shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus solely to cover overallotments, if any.

We expect to deliver the common shares on or about October , 2010.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

J.P. Morgan	**Deutsche Bank Securities**	**Wells Fargo Securities**

Baird	**KeyBanc Capital Markets**	**FBR Capital Markets**	**RBC Capital Markets**

The date of this prospectus is   , 2010.

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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 anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, our common shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common shares.

This prospectus contains registered trademarks that are the exclusive property of their respective owners, including Marriott International, Inc., Hilton Worldwide and Hyatt Hotels Corporation. None of the owners of the trademarks appearing in this prospectus, their parents, subsidiaries or affiliates or any of their respective officers, directors, members, managers, stockholders, owners, agents or employees, which we refer to collectively as the trademark owners, is an issuer or underwriter of the shares being offered hereby, plays (or will play) any role in the offer or sale of our shares or has any responsibility for the creation or contents of this prospectus. In addition, none of the trademark owners has or will have any liability or responsibility whatsoever arising out of or related to the sale or offer of the shares being offered hereby, including any liability or responsibility for any financial statements, projections or other financial information or other information contained in this prospectus or otherwise disseminated in connection with the offer or sale of the shares offered by this prospectus. You must understand that, if you purchase our common shares in this offering, your sole recourse for any alleged or actual impropriety relating to the offer and sale of the common shares and the operation of our business will be against us (and/or, as may be applicable, the seller of such shares) and in no event may you seek to impose liability arising from or related to such activity, directly or indirectly, upon any of the trademark owners.

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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 Chesapeake Lodging Trust and our subsidiaries, and references to our operating partnership mean Chesapeake Lodging, L.P. Unless otherwise indicated, the information contained in this prospectus assumes no exercise by the underwriters of their overallotment option to purchase up to an additional 975,000 common shares from us.

Overview

We are a self-advised hotel investment company organized in June 2009. We focus our investments primarily in upper-upscale hotels in major business, airport and convention markets and, on a selective basis, in premium select-service hotels in urban settings or unique locations in the United States. As of the date of this prospectus, we own four hotel properties with aggregate purchase prices of approximately $260.3 million: the 498-room Hyatt Regency Boston located in Boston, Massachusetts, the 188-room Hilton Checkers Los Angeles located in Los Angeles, California, the 153-room Courtyard Anaheim at Disneyland Resort located in Anaheim, California and the 430-room Boston Marriott Newton located in Newton, Massachusetts. We believe current industry dynamics will continue to present us with attractive opportunities to acquire high-quality hotel properties, at prices below replacement costs, with attractive yields on investment and significant upside potential.

Upon completion of this offering, we expect to have approximately $125 million in cash and borrowing capacity under our revolving credit facility available to acquire additional hotel properties. We may incur additional indebtedness in the future to supplement our investment capital and maintain flexibility to respond to industry conditions and opportunities. We intend to target an overall debt level of up to 45% of the aggregate purchase prices of all our portfolio properties.

Our senior executive officers have extensive experience in the lodging industry that we believe enhances our ability to identify and consummate attractive hotel acquisitions and enables us to improve our properties operating performance. This experience includes the acquisition, development, financing, repositioning, asset management and disposition of hotels, and the management and operation of Highland Hospitality Corporation, or Highland, a lodging REIT that operated in the upper-upscale segment from its initial public offering in December 2003 until its sale in July 2007. In addition to their service with Highland, our senior executive officers have held senior management and executive positions at several other publicly traded lodging companies, including Crestline Capital Corporation, Marriott International, Inc., Host Hotels & Resorts, Inc. and Prime Hospitality Corporation. Through this experience, they have established a broad network of hotel industry contacts, including long-standing relationships with hotel owners, independent hotel managers, global hotel brands, hotel brokers, financiers and institutional investors that we believe provides us with attractive acquisition opportunities. In addition, we have entered into a sourcing relationship with Hyatt Corporation, or Hyatt, that may continue to provide us with additional attractive acquisition opportunities beyond our acquisition of the Hyatt Regency Boston.

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We intend to elect and qualify to be treated as a REIT for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2010.

Recent developments

Declared initial dividend. On September 9, 2010, we declared our initial quarterly dividend in the amount of $0.20 per share, payable on October 15, 2010 to each shareholder of record on September 30, 2010.

Acquired four hotel properties. The following table provides select operating information about the four hotels acquired after completion of our initial public offering, or IPO. The information for the periods presented generally precedes the dates of our acquisitions, except that the information for the six months ended June 30, 2010 reflects our acquisitions of the Hyatt Regency Boston, effective March 1, 2010, and the Hilton Checkers Los Angeles on June 1, 2010. For more information about our hotel properties, see Our business and properties Our hotel properties.

						For the Year Ended December 31, 2009			For the Six Months Ended June 30, 2010		
Property	**Location**	**Date of Acquisition**	**Year Opened or Most Recent Reno-vation**	**Number of Rooms**	**Purchase Price ($ in millions)**	**Occup-ancy(1)**	**ADR(2)**	**RevPAR(3)**	**Occu-pancy**	**ADR**	**RevPAR**
Hyatt Regency Boston	Boston, MA	March 18, 2010	2010	498	$112.0	82.2%	$161.41	$132.70	83.5%	$161.92	$135.19
Hilton Checkers Los Angeles	Los Angeles, CA	June 1, 2010	2009	188	$46.0	77.2%	$179.79	$138.73	81.9%	$177.73	$145.61
Courtyard Anaheim at Disneyland Resort	Anaheim, CA	July 30, 2010	2006	153	$25.0	76.0%	$108.95	$82.80	77.3%	$115.13	$88.96
Boston Marriott Newton	Newton, MA	July 30, 2010	2010	430	$77.3	62.7%	$135.31	$84.88	66.1%	$134.14	$88.60

(1) Occupancy is average daily occupancy.

(2) ADR is average daily rate.

(3) RevPAR is room revenue per available room.

Closed $115.0 million revolving credit facility. On July 30, 2010, we closed a two-year, $115.0 million revolving credit facility with a lending syndicate. Our operating partnership is the borrower, and we and certain of our indirect subsidiaries serve as guarantors of borrowings under the revolving credit facility. Affiliates of J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., Wells Fargo Securities, LLC and KeyBanc Capital Markets Inc. are lenders under our revolving credit facility. In addition, the affiliate of J.P. Morgan Securities LLC serves as syndication agent and the affiliate of Wells Fargo Securities, LLC is the administrative agent for the revolving credit facility. Amounts we borrow under the revolving credit facility (i) are secured by cross-collateralized, first mortgage liens on our existing hotel properties, and related equipment, fixtures, personal property and other assets; (ii) may, in the future, be secured by other hotels we acquire and include as collateral, if approved by our lenders; and (iii) are fully recourse to us. Borrowings under the revolving credit facility bear interest at rates based on the London Interbank Offered Rate, or LIBOR, plus 3.75%, subject to a LIBOR floor of 2.00%. On July 30, 2010, we borrowed $105.0 million under the revolving credit facility and used $102.3 million to fund the acquisitions of the Courtyard Anaheim at Disneyland Resort and the Boston Marriott Newton. For a more detailed description of the terms of the revolving credit facility, see Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources.

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Completed initial public offering and concurrent private placements. On January 27, 2010, we completed our IPO and sold 7,500,000 common shares at a price of $20 per share, resulting in gross proceeds of $150 million and net proceeds (after deducting initial underwriting fees and offering costs) of approximately $146.7 million. Concurrently with the IPO, we sold in private placements (1) 452,431 common shares to Hyatt and 904,862 common shares to BAMCO, Inc. on behalf of certain of its investment advisory clients, or Baron, in each case at a price of $18.80 per share and (2) 150,000 common shares to our non-executive chairman and certain executive officers at $20.00 per share. Private placements generated net proceeds of approximately $28.5 million. On February 24, 2010, we sold an additional 85,854 common shares as a result of the partial exercise of the underwriters overallotment option, resulting in additional net proceeds of approximately $1.7 million. On May 21, 2010, we paid $7.6 million to the underwriters of our IPO, representing all of the underwriting fees that were deferred in connection with our IPO. The total net proceeds (after deducting initial and deferred underwriting fees and offering costs) generated from the IPO, private placements, and the partial exercise of the underwriters overallotment option were approximately $169.4 million.

Our team

The founding members of our management team are James L. Francis, our president and chief executive officer, and Douglas W. Vicari, our executive vice president, chief financial officer and treasurer. These senior executive officers have extensive experience in the lodging industry, including the acquisition, development, financing, repositioning, asset management and disposition of hotels. In these roles, our senior executive officers have participated in numerous lodging-related transactions and assumed significant management responsibilities. This experience includes:

- hotel investments, including single property and portfolio acquisitions;
- hotel and company level financings, such as single property and portfolio debt financings, including loans included in securitized transactions, public debt offerings, public and private equity offerings and corporate credit facilities;
- hotel dispositions, including single property, portfolio and company dispositions; and
- asset management, including extensive renovation and repositioning programs, as well as re-branding or changing hotel management of select properties.

Competitive strengths

We believe the following competitive strengths distinguish us from other owners, acquirors and investors in hotel properties:

Experienced management team: A veteran management team with substantial lodging industry experience enables us to effectively implement our business strategy by evaluating investment opportunities and deploying capital in hotels that provide attractive long-term returns. Our senior executive officers have worked together for a number of years and have extensive experience, having served as executives in several publicly traded lodging companies, including Highland, Marriott International, Inc., Host Hotels & Resorts, Inc., Crestline Capital Corporation and Prime Hospitality Corporation.

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High-quality initial hotel portfolio: Our portfolio is comprised of four hotel properties that we believe will generate attractive risk-adjusted returns for our investors as a result of the desirable locations of these properties, their brand affiliations with Hyatt, Marriott and Hilton, all of which are among the top global hotel franchisors, and the high-quality condition of the properties following significant capital investments made by their prior owners. For the six months ended June 30, 2010, each of our properties has experienced significant improvements in RevPAR, which is the product of ADR and occupancy and is one of the key performance indicators used in the lodging industry, and total hotel revenues as compared to the comparable period in 2009. Due to the fact that our properties are located in markets in which we believe there will be limited growth in lodging supply over the next several years, we expect these improvements to strengthen further as the recovery in the lodging industry accelerates.

Extensive industry relationships: Our senior management team has established and maintained a broad network of hotel industry contacts, including long-standing relationships with hotel owners, independent hotel managers, global hotel brands, hotel brokers, financiers, institutional investors and other key industry participants. These broad industry relationships have proven valuable in the acquisitions we have completed, and we believe they will continue to provide us with a strong source of additional hotel property investment opportunities in the future.

Growth oriented capital structure with no legacy issues: We believe that many institutional buyers of hotel assets will be constrained in their ability to make acquisitions over the next several years as they address the adverse effects of a highly leveraged capital structure on their existing portfolio. Unlike many of these potential buyers, we have no distressed assets limiting our management s focus or ability to acquire assets. Following this offering, we expect to have approximately $125 million in cash and borrowing capacity under our revolving credit facility available to execute our acquisition strategy.

Proven acquisition and disposition capabilities: Throughout their careers, our senior executive officers have pursued investment strategies that include acquiring, developing, financing, repositioning and selling hotel properties. While our chief executive officer and chief financial officer worked together at Highland from its IPO in 2003 until its sale in 2007, Highland invested in 30 hotel properties with over 9,000 rooms. These skills have been displayed in the deployment of the net proceeds from our IPO and concurrent private placements and initial borrowings under our revolving credit facility to acquire our four initial properties.

Strategic relationship with Hyatt: We have entered into a sourcing relationship with Hyatt, a global hospitality company with widely recognized, industry leading brands. We believe this relationship, as well as Hyatt s strong brands and excellent hotel management services, enhances our ability to execute our business strategy and potentially provides us with an additional source of attractive acquisition opportunities. Our strong relationship with Hyatt enabled us to work efficiently in acquiring the Hyatt Regency Boston. In addition, Hyatt owns approximately 4.8% of our outstanding common shares as of September 1, 2010. We believe that this equity stake helps to align Hyatt s interests with ours and may provide added incentive to help us to execute our business strategy. For a full description of our agreement with Hyatt, see Our business and properties Relationship with Hyatt.

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U.S. lodging industry

Historically, the lodging industry in the United States has been cyclical in nature. Generally, lodging industry performance correlates with macroeconomic conditions in the United States. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which affect levels of business and leisure travel. Recovery in lodging demand has generally lagged improvement in the overall economy. In addition to general economic and local market conditions, new hotel room supply has the potential to further exacerbate the negative impact of an economic recession. Lodging supply growth is typically driven by overall lodging demand, as extended periods of strong demand growth tend to encourage new hotel development. However, the rate of supply growth is also influenced by a number of additional factors, including availability and cost of capital, construction costs and local market considerations.

Beginning in 2008, the U.S. lodging industry experienced a significant downturn due to a decline in consumer and business spending as a result of the weakness in the global economy, particularly the turmoil in the credit markets, erosion of consumer confidence and increasing unemployment. As a result, lodging demand from both leisure and business travelers decreased significantly in 2008 and 2009, with 2009 marking the greatest decline over the 22-year period that Smith Travel Research has tracked the lodging industry. This decreased demand for hotel rooms, together with modest increases in hotel room supply in 2008 and 2009 due to the completion of hotel properties under development before the global recession, resulted in declines in occupancy and reductions in room rates as hotels competed more aggressively for guests. These events have had a substantial negative impact on RevPAR. According to Smith Travel Research, Inc., a leading source of lodging industry information, RevPAR declined 16.7% in 2009, the largest decline recorded since they began tracking the U.S. lodging industry 22 years ago, and a significantly larger decline than the two most recent lodging industry downturns in 1991 and 2001-2002, which are considered two of the worst periods in modern U.S. lodging industry history.

However, through the first eight months of 2010, we have seen trends of improved fundamentals in the U.S. lodging industry. Demand for rooms has increased and, according to Smith Travel Research, U.S. hotel RevPAR grew in March 2010, after 19 consecutive months of declines as measured against prior-year periods. According to Smith Travel Research, in the second quarter of 2010, pricing power began to return in a few of the major leading markets, such as New York, New York, Boston, Massachusetts, and Washington, D.C., with gains in ADR for the first time since the economic recession started in 2008. These trends have resulted in RevPAR growth of 4.0% for the first eight months of 2010, as compared to the prior-year period. With supply of available rooms expected to rise at a significantly slower pace over the next several years than during 2006-2008 and demand for rooms anticipated to increase significantly to the extent the U.S. economy rebounds, we expect meaningful growth in RevPAR in 2011 and for several years thereafter.

Market opportunity

We believe the next several years will present opportunities to acquire hotels at prices below replacement costs, with attractive yields and significant upside potential. During the last several years, pricing of hotel properties in the United States appreciated well in excess of the properties underlying performance, primarily driven by record levels of debt financing. From 2008 through early 2010, a significant correction in the price of hotel properties occurred, primarily as a result of the impact of the economic downturn on the lodging industry. In addition, due to the widely publicized credit crisis, the market for commercial mortgage backed securities, or CMBS, was virtually closed, and many traditional real estate lenders, such as national and regional banks and insurance companies, have seen their balance sheets impaired, resulting in a severe contraction in available debt financing for hotel properties. We believe the combined effects of the severe decline in hotel operating performance since 2007, the limited availability of debt financing from traditional real estate lenders and the decline in hotel property valuations from 2007 levels (in some cases below current debt balances), will yield a high level of foreclosures, restructurings and distressed hotel asset sales from a range of sellers, including national and regional banks, insurance companies, private equity funds, real estate mezzanine debt investors, hotel owners and CMBS special servicers. We believe that we will be able to capitalize on these opportunities to acquire high-quality hotel properties at deep discounts to replacement cost, with substantial appreciation potential if and to the extent the U.S. economy recovers.

Our strategy

We believe the following investment criteria and strategy promote the growth of our company and our ability to deliver strong total returns to our shareholders:

External growth. We focus our investments primarily in upper-upscale hotels in major business, airport and convention markets and, on a selective basis, in premium select-service hotels in urban settings or unique locations in the United States. Within this target sector, we pursue investment opportunities primarily in hotel properties operating under national franchise brands with which our executive officers have existing relationships, such as Hyatt®, Hyatt Regency®, Hilton®, Marriott®, Renaissance®, Sheraton® and Westin®. In some instances, we may also invest in premium select-service brands, such as Hyatt Place®, Courtyard by Marriott® and Hilton Garden Inn® or boutique hotels (unbranded) located in urban settings or unique locations. We seek to acquire hotel properties primarily located in markets with high barriers to entry due to high land costs and limited land availability in the top 25 U.S. Metropolitan Statistical Areas, or MSAs. For a description of the top 25 MSAs, see Our business and properties Top 25 metropolitan statistical areas. We also consider investments in hotel properties that would benefit from re-branding, renovation or a change in hotel property management. Consistent with our investment strategy, we continuously review opportunities to make hotel acquisitions in various target markets, focusing on acquisitions that will strengthen the overall quality of our portfolio and further diversify the portfolio by market, customer type and brand. We currently do not plan to acquire hotel properties outside the United States. We believe our target investments offer the opportunity for stronger returns than hotels in other sectors of the industry. Our ability to complete additional acquisitions is subject to a variety of factors beyond our control, including economic conditions in general, availability of hotels meeting our standards and our ability to obtain financing to fund such acquisitions.

Internal growth. We aggressively asset manage our hotel properties by employing value-added strategies (such as re-branding, renovating or changing hotel management) designed to improve the operating performance and value of our hotels. We do not operate our hotel properties, but engage reputable independent or brand management companies to operate our hotels. We

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structure our hotel management agreements to allow us to closely monitor the performance of our hotels and to ensure, among other things, that our managers: (1) implement an approved business and marketing plan; (2) implement a disciplined capital expenditure program; and (3) establish and prudently spend appropriate furniture, fixtures and equipment reserves.

Hotel industry segments

Smith Travel Research classifies the hotel industry into the following chain scales, as determined by each brand s average system-wide daily rates: luxury, upper-upscale, upscale, midscale with food and beverage, midscale without food and beverage and economy. The following chart presents an overview of some of the representative brands in each of the segments of the lodging sector:

Luxury	Upper-upscale	Upscale	Midscale with F&B	Midscale w/o F&B	Economy
Four Seasons®	Andaz®	Courtyard by Marriott®	Best Western®	Candlewood Suites®	Days Inn®
Inter-Continental®	Doubletree®	Crowne Plaza®	Holiday Inn®	Comfort Inn®	Econo Lodge®
Ritz Carlton®	Embassy Suites®	Hilton Garden Inn®	Howard Johnson®	Country Inn & Suites®	Extended Stay America®
St. Regis®	Grand Hyatt®	Hyatt Place®	Quality Inn®	Fairfield Inn®	Motel 6®
W Hotels®	Hilton®	Radisson®	Ramada®	Hampton Inn®	Red Roof Inn®
Waldorf-Astoria®	Hyatt®	Residence Inn®	Wyndham Garden®	Holiday Inn Express®	Super 8®
Park Hyatt®	Hyatt Regency®	Wyndham Hotels®		TownePlace Suites®	Travelodge®
	Marriott®				
	Sheraton®				
	Westin®				

Full-service hotels generally have a restaurant, lounge facilities and meeting space, as well as minimum service levels often including bell service and room service. Select-service hotels have limited food and beverage outlets and do not offer comprehensive business or banquet facilities, but rather are suited to serve smaller business meetings. Extended-stay hotels are hotels generally designed to accommodate guests staying for extended periods of time and typically provide rooms with fully equipped kitchens, entertainment systems, office spaces with computer and telephone lines, access to fitness centers and other amenities.

Summary risk factors

You should carefully consider the matters discussed in the Risk factors section beginning on page 12 of this prospectus prior to deciding whether to invest in our common shares. Some of these risks include:

- We have a limited operating history, own only four properties and may not be able to successfully operate our business or generate sufficient operating cash flows to make or sustain distributions to our shareholders.

- Although we intend to acquire additional properties, we have not committed any portion of the net proceeds of this offering to any specific acquisition. Investors will not be able to evaluate the economic merits of any acquisitions we make with the net proceeds of this offering. In addition, we can change our investment policy at any time without seeking approval from our shareholders.

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Failure of the U.S. economy and the lodging industry to improve when or as expected may adversely affect our ability to execute our business plan, generate revenues, attain profitability and make distributions to our shareholders, as well as adversely affect the market price of our common shares.

The geographic concentration of our hotel properties in two metropolitan markets could leave us disproportionately vulnerable to economic downturns, regulatory changes or acts of nature in these areas, which could adversely affect our operating performance and cash available for shareholder distributions.

Our failure to qualify as a REIT would have significant adverse consequences to us, the value of our common shares and our ability to make distributions to our shareholders.

We are subject to risks associated with borrowings under our revolving credit facility. Debt service obligations may reduce cash available for distribution to shareholders, operations, capital expenditures and future business purposes.

We depend on the efforts and expertise of our president and chief executive officer and our executive vice president, chief financial officer and treasurer to manage our day-to-day operations and strategic business direction. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

Because our senior executive officers 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 ability to maintain distributions to our shareholders is subject to fluctuations in our financial performance, operating results and capital improvement requirements.

Our returns depend on effective management of our hotels by third parties.

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Our structure

In order for the income from our hotel operations to constitute rents from real property for purposes of the gross income test required for REIT qualification, we cannot directly operate any of our hotels. Accordingly, we lease each of our hotels to a taxable REIT subsidiary, or TRS, which is indirectly wholly owned by our operating partnership, which is wholly owned by us and one of our subsidiaries. Our TRS pays rent to us that can qualify as rents from real property, provided that the TRS engages an eligible independent contractor to manage our hotels. Our TRS is subject to corporate level income taxes. In connection with each acquisition, our TRS engages a qualified hotel management company to manage the hotel.

The following chart shows the current structure of our company:

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The offering

Common shares offered	6,500,000 shares (plus up to an additional 975,000 common shares upon the exercise of the underwriters overallotment option)
Common shares to be outstanding upon completion of the offering	15,850,271 shares[(1)]
Use of proceeds	We will contribute the net proceeds of this offering to our operating partnership which, in turn, will use the net proceeds to repay up to $105.0 million of outstanding indebtedness under our revolving credit facility. Certain of the underwriters and/or their affiliates are lenders to us under our revolving credit facility and may receive their pro rata portion of amounts repaid from the proceeds of this offering. See Underwriting. Our operating partnership will invest any remaining net proceeds, together with the borrowing capacity under our revolving credit facility, in hotel properties in accordance with our investment strategy described in this prospectus and for general business purposes. Prior to the full investment of any such remaining net proceeds in hotel properties, we intend to invest these net proceeds in certificates of deposit, interest-bearing short-term investment grade securities or money-market accounts which 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 our target hotel properties. See Use of proceeds.
Distribution policy	As a result of the strong operating performance and limited capital needs of our existing portfolio, we declared our initial dividend in the amount of $0.20 per share, payable on October 15, 2010 to each shareholder of record on September 30, 2010. We intend over time to continue to make quarterly distributions to holders of our common shares out of our earnings. To maintain our qualification as a REIT, we intend to make annual distributions to our shareholders of at least 90% of our REIT taxable income, subject to certain adjustments and excluding net capital gains (which does not necessarily equal net income as calculated in accordance with U.S. generally accepted accounting principles, or U.S. GAAP). The timing and frequency of distributions will be authorized by our board of trustees and declared by us based upon a variety of factors deemed relevant by our trustees. Our ability to pay distributions to our shareholders depends, in part, upon our receipt of rent payments with respect to our properties from our TRS and the management of our hotel properties and the hotel management companies that our TRS has engaged to operate our

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	hotels. Distributions to our shareholders generally will be taxable to our shareholders as ordinary income; however, because our investment strategy is to acquire hotel properties for cash, which will result in depreciation and non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital. Subject to maintaining our qualification as a REIT, our TRS may retain any after-tax earnings. See Distribution policy.
NYSE symbol	CHSP
Risk factors	Investing in our common shares involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk factors beginning on page 12 of this prospectus and other information included in this prospectus.

(1) Excludes (i) up to 975,000 shares issuable upon exercise of the underwriters overallotment option and (ii) 197,533 shares issuable in the future under the Chesapeake Lodging Trust Equity Plan, or the Equity Plan.

Corporate information

We were organized on June 12, 2009 as a Maryland real estate investment trust under the name Crown Hospitality Trust, and we changed our name to Chesapeake Lodging Trust, effective September 23, 2009. Chesapeake Lodging, L.P., a Delaware limited partnership, is our operating partnership that owns all of our assets, and through which we conduct our operations.

We intend to elect to and qualify to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, commencing with our taxable year ending December 31, 2010. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their taxable income (excluding net capital gains). If we qualify for taxation as a REIT, we generally will not be subject to U.S. federal income tax on that portion of our ordinary income or net capital gain that is currently distributed to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to certain U.S., foreign, state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income and certain other categories of income, and our TRS is a fully taxable corporation, subject to U.S. federal, state, local and foreign tax, if applicable, on their income.

Our corporate offices are located at 1997 Annapolis Exchange Parkway, Suite 410, Annapolis, MD 21401. Our telephone number is (410) 972-4140. We maintain a website at www.chesapeakelodgingtrust.com. Our reference to our website is intended to be an inactive textual reference only. Information contained on our website is not, and should not be interpreted to be, part of this prospectus.

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Risk factors

An investment in our common shares involves significant risks. In addition to other information in this prospectus, you should carefully consider the following factors before investing in our common shares offered hereby. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our shareholders, which could cause you to lose all or a significant part of your investment in our common shares. 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 and properties

We have a limited operating history, own only four hotel properties and may not be able to successfully operate our business or generate sufficient operating cash flows to sustain or increase distributions to our shareholders.

We were organized in June 2009 and only commenced operations upon completion of our IPO in January 2010. Our ability to sustain or increase distributions to our shareholders depends on many factors, including the financial performance of our properties, the availability of additional attractive acquisition opportunities that satisfy our investment strategies and our success in identifying and consummating them on favorable terms, the level and volatility of interest rates, readily accessible short-term and long-term financing on favorable terms and conditions in the financial markets, the real estate market and the economy, as to which no assurance can be given. We face competition in acquiring attractive properties. We cannot assure you that we will be able to acquire properties with attractive 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. Furthermore, there can be no assurance that our four current hotel properties will continue to generate sufficient operating cash flows to pay our operating expenses and enable us to sustain or increase the amount or rate of distributions we make to our shareholders.

The geographic concentration of our properties in two metropolitan areas could leave us disproportionately vulnerable to an economic downturn, regulatory changes or acts of nature in those areas, which could adversely affect our operating performance and cash available for shareholder distributions.

As of the date of this prospectus, our hotel investments have been concentrated in and around the metropolitan areas of Boston, Massachusetts and Los Angeles, California. As a result, the economic conditions in these states generally, and these metropolitan areas specifically, as well as changes in laws and regulations, unforeseen acts of nature, demographics and similar factors that may result in decreased travel or lodging demand in these areas could adversely affect revenues, costs and operating performance at our properties, which could have a material adverse effect on our results of operations and the amount of cash available for distributions to our shareholders.

Failure of the lodging industry to exhibit improvement when or as expected may adversely affect our ability to execute our business plan.

A substantial part of our business plan is based on our belief that the lodging markets in which we invest will experience improving economic fundamentals in the future. In particular, our business strategy is dependent on our expectation, based on the HVS lodging industry outlook and forecast described in more detail under the caption U.S. lodging industry beginning on page 48 of this prospectus, that key industry performance indicators, especially RevPAR, will improve in 2010 and industry performance will accelerate for several years thereafter. Although according to Smith Travel Research, industry-wide RevPAR has grown so far in 2010, following a period of 19 consecutive months of declines as compared to the comparable periods of prior years, there can be no assurance as to whether, when or to what extent, lodging industry fundamentals 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 plan may be adversely affected.

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

We have not yet committed any portion of the net proceeds of this offering to any specific acquisition, and our officers have broad discretion, within the general investment policies established by our board of trustees, to invest the net proceeds of this offering and to determine the timing of such investment. As a result, you will be unable to evaluate the allocation of the net proceeds of the offering or the economic merits of our acquisitions before making an investment decision with respect to our common shares. 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 or with which you may not agree. These factors may increase the uncertainty, and thus the risk, of investing in our common shares. Our failure to apply these proceeds effectively or find suitable properties to acquire in a timely manner or on acceptable terms 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.

In addition, a portion of our executive officers bonus compensation for 2010 is linked to the amount of capital we deploy during the year. This compensation system may provide them with incentives to invest the proceeds from this offering during 2010, even if suitable opportunities are not available on acceptable terms. As a result, properties acquired may not yield favorable returns.

We cannot assure you that we will be able to identify assets that meet our investment objectives, that we will be successful in consummating any investment opportunities we identify or that one or more investments we may make using the net proceeds of the offering and the concurrent private placements will generate revenue, income or cash flow. Although we intend to invest our proceeds in hotel properties in up to six months after the completion of the offering, we cannot assure you we will be able to do so. Our inability to do any of the foregoing could materially and adversely affect our results of operations and cash flows and our ability to make distributions to our shareholders.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our president and chief executive officer and our executive vice president, chief financial officer, and treasurer to manage our day-to-day operations and strategic business direction. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

We may not succeed in managing our growth, in which case our financial results could be adversely affected.

As of the date of this prospectus, we have only six employees. Our ability to grow our business depends upon our senior executive officers business contacts and their ability to successfully hire, train, supervise and manage additional personnel. We may not be able to hire and train sufficient personnel or develop management, information and operating systems suitable for our expected growth. If we are unable to manage any future growth effectively, our operations and financial results could be adversely affected.

Our returns could be negatively impacted if our third-party hotel managers do not manage our properties in our best interests.

Since U.S. federal income tax laws restrict REITs and their subsidiaries from operating or managing a hotel, we do not operate or manage our hotels. Instead, we lease all of our hotels to subsidiaries of our taxable REIT subsidiary and these subsidiaries of our TRS retain third-party managers to operate our hotels pursuant to management agreements. Our cash flow from the hotels may be adversely affected if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. In addition, our hotel managers or their affiliates may manage, and in some cases may own, may have invested in or may have provided credit support or operating guarantees to hotels that compete with our hotels, any of which could result in conflicts of interest. As a result, our hotel managers may make decisions regarding competing lodging facilities that are not in our best interests.

We do not have the authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for instance, setting room rates). Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in satisfactory occupancy rates, RevPAR and ADR, we are not able to force the management company to change its method of operation of our hotels. If necessary, we generally will attempt to resolve issues with our managers through discussions and negotiations. However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. We can only seek redress if a management company violates the terms of the applicable management agreement with the TRS, and then only to the extent of the remedies provided for under the terms of the management agreement. In the event that we need to replace any of our management companies, we may be required by the terms of the management agreement to pay substantial termination fees and may experience significant disruptions at the affected hotels.

Funds spent to maintain franchisor operating standards or the loss of a franchise license may reduce cash available for shareholder distributions.

Certain of our hotel properties operate under franchise agreements and we anticipate that some of the hotels we acquire in the future also will operate under franchise agreements. We are therefore subject to the risks inherent in concentrating our hotel properties in several franchise brands. These risks include reductions in business following negative publicity related to one of our brands.

The maintenance of the franchise licenses for our hotels is subject to our franchisors operating standards and other terms and conditions. Franchisors periodically inspect our hotel properties to ensure that we and our lessees and management companies follow their standards. Failure by us, our TRS or one of our management companies to maintain these standards or other terms and conditions could result in a franchise license being canceled. If a franchise license terminates due to our failure to make required improvements or to otherwise comply with its terms, we may also be liable to the franchisor for a termination payment, which will vary by franchisor and by hotel. As a condition of our continued holding of a franchise license, a franchisor could also possibly require us to make capital expenditures, even if we do not believe the capital improvements are necessary or desirable or will result in an acceptable return on our investment. Nonetheless, we may risk losing a franchise license if we do not make franchisor-required capital expenditures.

If a franchisor terminates the franchise license, we may try either to obtain a suitable replacement franchise or to operate the hotel without a franchise license. The loss of a franchise license could materially and adversely affect the operations or the underlying value of the hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. A loss of a franchise license for one or more hotels could materially and adversely affect our revenues. This loss of revenues could, therefore, also adversely affect our financial condition, results of operations and cash available for distributions to our shareholders.

Our ability to maintain quarterly distributions to our shareholders is subject to fluctuations in our financial performance, operating results and capital improvement requirements.

As a REIT, we are required to distribute at least 90% of our taxable income (excluding net capital gains) each year to our shareholders. In the event of future downturns in our operating results and financial performance or unanticipated capital improvements to our hotels, including capital improvements which may be required by our franchisors, we may be unable to declare or pay distributions to our shareholders. The timing and amount of distributions are in the sole discretion of our board of trustees which considers, among other factors, our financial performance, debt service obligations and debt covenants, and capital expenditure requirements. We intend to pay regular quarterly dividends but cannot assure you that we will continue to generate sufficient cash in order to fund distributions in the same aggregate amounts as our initial quarterly dividend in September 2010 or at all.

Among the factors which could adversely affect our results of operations and our distributions to shareholders are the failure of our TRS to make required rent payments because of reduced net operating profits or operating losses, increased debt service requirements and capital expenditures at our hotels, including capital expenditures required by the franchisors of our hotels. Among the factors which could reduce the net operating profits of our TRS are decreases in hotel revenues and increases in hotel operating expenses. Hotel revenue can decrease for a number of reasons, including increased competition from a new supply of hotel rooms and decreased demand for hotel rooms. These factors can reduce both occupancy and room rates at our hotels.

We lease all of our hotels to our TRS, and our TRS is subject to hotel operating risks, including risks of sustaining operating losses after payment of hotel operating expenses, including management fees. These risks can adversely affect the net operating profits of our TRS, our operating expenses and the amount of cash available for distribution to our shareholders.

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Compliance with covenants in our revolving credit facility and other debt instruments may limit our freedom to operate our business and impair our ability to make distributions to our shareholders.

The terms of our revolving credit facility require us to comply with customary financial and other covenants, including covenants that:

- require us to maintain minimum levels of debt to adjusted earnings before interest, taxes, depreciation and amortization, or EBITDA,
- require us to maintain maximum levels of total debt to total assets;
- require us to maintain minimum levels of tangible net worth;
- limit our ability to make certain investments;
- prevent us from employing leverage in excess of a percentage of our total asset value;
- prohibit us from making annual distributions to our shareholders in excess of 90% of our funds from operations, or FFO, over time, except for such distributions as may be required to enable us to maintain our qualification as a REIT for U.S. federal income tax purposes and prohibit us from making any distributions to shareholders while there is a continuing event of default;
- impose concentration limitations on the value and other characteristics of assets comprising the collateral pool securing the revolving credit facility; and
- limit our ability to engage in a change in control transaction without causing the amounts outstanding under the revolving credit facility to become immediately due and payable.

For more information on these covenants, see Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources. These restrictions may interfere with our ability to obtain financing or to engage in other business activities, which may inhibit our ability to grow our business and increase revenues. If we fail to comply with any of these requirements, then the related indebtedness, and any other debt containing cross-default or cross-acceleration rights for our lenders, could become immediately due and payable. We cannot assure you that we could pay all of our debt if it became due, or that we could continue in that instance to make distributions to our shareholders and maintain our REIT qualification.

If we are unable to repay or refinance our revolving credit facility and other debt, we may be unable to sustain or increase distributions to our shareholders and our share price may be adversely affected.

Our existing borrowings under our revolving credit facility and future debt subject us to many risks, including the risks that:

- our cash flow from operations will be insufficient to make required payments of principal and interest;
- our debt may increase our vulnerability to adverse economic and industry conditions;

we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing cash available for distribution to our shareholders, funds available for operations and capital expenditures, future business opportunities or other purposes;

- the terms of any refinancing may not be as favorable as the terms of the debt being refinanced; and

- the terms of our debt may limit our ability to make distributions to our shareholders and therefore adversely affect the market price of our common shares.

If we do not have sufficient funds to repay our debt at maturity, it may be necessary to refinance this debt through additional debt financing, private or public offerings of debt securities, or additional equity financings. 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 adversely affecting cash flow from operating activities. We have placed, and may continue to place, mortgages on our hotel properties to secure our debt. To the extent we cannot meet our debt service obligations, we risk losing some or all of those properties to foreclosure.

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

Higher interest rates could increase debt service requirements on floating rate debt and could reduce funds available for operations, distributions to our shareholders, future business opportunities or other purposes.

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

We may obtain in the future one or more forms of interest rate protection in the form of swap agreements, interest rate cap contracts or similar agreements to hedge against the possible negative effects of interest rate fluctuations. However, we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder. In addition, we may be subject to risks of default by hedging counterparties. 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 investments at times which may not permit us to receive an attractive return on our investments in order to meet our debt service obligations.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on a co-venturer s financial condition and disputes between us and our co-venturers.

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 partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers 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 or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers 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 or co-venturers 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.

Our sourcing agreement with Hyatt does not require it to provide us with any potential acquisition opportunities and, as a result, we may not be able to grow our business as rapidly as we prefer.

We consider Hyatt s willingness to refer potential acquisition opportunities to us, in Hyatt s sole discretion, to be an important component of our sourcing relationship with Hyatt. Under the terms of our agreement with it, however, Hyatt is not obligated to refer any of these opportunities to us. Moreover, although we are obligated to offer Hyatt the right to manage or franchise any unbranded properties we may acquire, nothing in our agreement requires Hyatt to accept any offer we make. As a result, we may not realize the benefits of this agreement in full. Realizing fewer acquisition opportunities from Hyatt than we expect may slow the pace of our growth, which could adversely affect our financial performance.

Risks related to the hotel industry

Current economic conditions may 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 TRS. The recent global economic downturn 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. Though we have seen some improvement in economic and industry fundamentals that may signal a recovery is underway, we cannot assure you that these conditions will continue to improve or that the recovery is sustainable. A double-dip recession or other worsening of the U.S. economy, if experienced, would likely have an adverse impact on our revenues and negatively affect our profitability.

Our ability to sustain the amount of distributions we make to our shareholders may be affected by various operating risks common to the lodging industry.

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

- competition from other hotel properties in our markets;

- over-building of hotels in our markets, which will adversely affect occupancy and revenues at the hotels we acquire;

- 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;
- 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;
- adverse effects of international, national, regional and local economic and market conditions;
- 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 lodging industry; and
- risks 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 TRS, which in turn could adversely affect the amount or frequency of distributions we make to our shareholders.

Our investment opportunities and growth prospects may be affected by competition for acquisitions.

We compete for investment opportunities with other entities, some of which have substantially greater financial resources than we do. This competition may generally limit the number of suitable investment opportunities offered to us, which may limit our ability to grow. This competition may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new properties on attractive terms or at all.

Our revenues and cash available for shareholder distributions may be affected by the seasonality of the hotel industry.

The hotel industry is seasonal in nature. This seasonality can be expected to cause quarterly fluctuations in our revenues. Our 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 certain quarters in order to offset these fluctuations in revenues and to sustain the amount or quarterly rate of distributions we make to our shareholders.

The cyclical nature of the lodging industry may cause fluctuations in our operating performance.

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

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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. Although we believe that supply growth peaked in late 2008 to early 2009, and that lodging demand has begun to rebound and will grow through 2015, no assurances can be made. An unsustainable rebound 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 the amount of cash available for distributions to our shareholders.

Our concentration in particular segments of a single industry limits our ability to offset the risks of an industry downturn, which could adversely affect our operating performance and cash available for shareholder distributions.

Our entire business is hotel-related. Therefore, a downturn in the lodging industry, in general, and the upper-upscale segments in which we focus our operations, in particular, will have a material adverse effect on our lease revenues and the net operating profits of our TRS and amounts available for distribution to our shareholders.

The ongoing need for capital expenditures at our hotel properties may limit the amounts available for shareholder distributions.

Our hotel properties will require periodic renovations and other capital improvements, including replacements, from time-to-time, of furniture, fixtures and equipment. The franchisors of our hotels will also require periodic capital improvements as a condition of keeping the franchise licenses. In addition, if we incur additional indebtedness, 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;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on affordable terms; and
- uncertainties as to market demand or a loss of market demand after capital improvements have begun.

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

Hotel development is subject to timing, budgeting and other risks. To the extent we acquire hotel properties that are under development, these risks may adversely affect our operating results and may limit the amounts available for shareholder distributions.

We may acquire hotel properties that are under development if suitable opportunities arise, taking into consideration general economic conditions. Hotel properties involve a number of development risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;

- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God, such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project.

To the extent we invest in hotel properties under development, we cannot assure you that any development project will be completed on time, within budget, or at all. The developer s inability to complete a project on time or within budget may adversely affect the hotel s projected operating results and limit amounts available for distributions to our shareholders.

The hotel business is capital-intensive, and our inability to obtain financing could limit our growth.

Our hotel properties will require periodic capital expenditures and renovation to remain competitive. Acquisitions or development of additional hotel properties will require significant capital expenditures. We may not be able to fund capital improvements or acquisitions solely from cash provided from our operating activities because we must distribute at least 90% of our taxable income (net of capital gains) each year to maintain our qualification as a REIT for U.S. federal income tax purposes. As a result, our ability to fund capital expenditures, acquisitions or hotel development through retained earnings is very limited. Consequently, we rely upon the availability of debt or equity capital to fund hotel acquisitions and improvements. 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 market conditions. Neither our declaration of trust nor our bylaws limits the amount of debt that we can incur. However, 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.

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

Some of our 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 could be adversely affected.

Future terrorist attacks or changes in terror alert levels could adversely affect our growth strategies, our ability to obtain financing, our ability to insure our properties and our overall financial condition.

Previous terrorist attacks in the United States and subsequent terrorist alerts have adversely affected the travel and hospitality industries over the past several years. The impact that terrorist attacks in the United States or elsewhere could have on domestic and international markets and our business in particular is indeterminable. It is possible that such attacks or the threat of such attacks could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties and/or our results of operations and financial condition as a whole.

Uninsured and underinsured losses could adversely affect our operating results and the amount of cash available for distributions to our shareholders.

We maintain comprehensive insurance on each of the hotel properties that we own, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by hotel owners. Various types of catastrophic losses, like earthquakes and floods, losses from foreign terrorist activities, such as those on September 11, 2001, or losses from domestic terrorist activities, such as the Oklahoma City bombing on April 19, 1995, may not be fully insurable.

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

Noncompliance with governmental regulations could adversely affect our operating results.

Environmental matters

Our hotel properties are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as the owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner s ability to borrow funds using the property as collateral or to sell the property. Under the environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the cleanup of that facility if it becomes contaminated and threatens human health or the environment. A person that arranges for the disposal or transports for disposal or treatment of a hazardous substance at a property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property.

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Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos while staying in a hotel may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals (such as swimming pool chemicals at a hotel property) to manage them carefully and to notify local officials that the chemicals are being used.

The costs to clean up a contaminated property, to defend against a claim or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our shareholders. We can make no assurances that (1) future laws or regulations will not impose material environmental liabilities or (2) the current environmental condition of our hotel properties will not be affected by the condition of the properties in the vicinity of these properties (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

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA s requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or in private litigants winning damages. Although we believe that the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance, and one or more properties may not be fully compliant with the ADA. Noncompliance with the ADA could result in the incurrence of additional costs to attain compliance. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect. If we are required to make substantial modifications to our hotels, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations and amount of cash available for distributions to our shareholders could be adversely affected.

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor, which could increase our operating costs, reduce the flexibility of our hotel managers to adjust the size of the workforce at our hotel properties and impair our ability to make distributions to our shareholders.

We have entered into management agreements with third-party managers to operate our hotel properties. Our third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage employees at our consolidated hotels, we are subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes or other events. Additionally, hotels where our managers have collective bargaining agreements with employees are more highly affected by labor force activities than others. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labor agreements may limit the ability of our managers

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to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between the managers of our hotels and labor unions. We do not have the ability to control the outcome of these negotiations.

General risks related to the real estate industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm 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, including the consequences of the terrorist acts, such as those that occurred on September 11, 2001.

We may decide in the future to sell one or more of our hotels. We cannot predict whether we will be able to sell any hotel property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property.

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 the amount of cash available for distributions to shareholders.

Increases in our property taxes would adversely affect the amount of cash available for distributions to our shareholders.

Each of our hotels is subject to real and personal property taxes. These taxes on our hotel properties may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. If property taxes increase, the amount of cash available for distributions to our shareholders may decrease.

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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 are obligated under our declaration of trust and bylaws to pay and advance the defense costs that may be 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.

Failure to make required distributions would subject us to tax.

In order for U.S. federal corporate income tax not to apply to earnings that we distribute, each year we must pay out to our shareholders in distributions at least 90% of our REIT taxable income, subject to certain adjustments 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 U.S. 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 U.S. federal tax laws. Our only source of funds to make these distributions comes from distributions that we receive from our operating partnership. Accordingly, we may be required to borrow money or sell assets to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the distribution requirement and to avoid U.S. federal corporate income tax and the 4% nondeductible excise tax in a particular year. To the extent that the terms of our credit facility or other debt obligations limit our ability to distribute sufficient taxable income to comply with these distribution requirements, we could be subject to some federal corporate income tax or even fail to qualify as a REIT.

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

We have been organized and we intend to continue to operate in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2010. We have not requested and do not intend to request a ruling from the IRS as to our REIT qualification. We have received an opinion of our outside counsel, Hogan Lovells US LLP, with respect to our qualification as a REIT in connection with this offering. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Hogan Lovells US LLP represents only the view of our counsel based on our counsel s review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. The opinion is expressed as of the date issued. Hogan Lovells US LLP has no obligation to advise us or the holders of our common shares of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Hogan Lovells US LLP, and our qualification as a REIT, depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Hogan Lovells US LLP.

The REIT qualification requirements are extremely complex and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in operating so we can qualify, or remain qualified, as a REIT. At any time, new legislation, administrative guidance, or court decisions, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT.

Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, there can be no assurance that the IRS will not contend that our hotel leases, interests in subsidiaries or interests in securities of other issuers will not cause a violation of the REIT requirements.

If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our shareholders would not be deductible by us in computing our taxable income. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Internal Revenue Code to maintain our qualification as a REIT. We might need to borrow money or sell hotels in order to pay any such tax. Unless we are entitled to relief under certain Internal Revenue Code provisions, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends, which could adversely affect the value of our common shares if they are perceived as less attractive investments.

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. Although this legislation does not adversely affect the taxation of REITs or dividends payable by REITs, 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

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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 leases are not respected as true leases for U.S. federal income tax purposes, we would fail to qualify as a REIT.

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

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

Rent paid by a lessee that is a related party tenant of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease all of our hotels to our TRS. So long as any TRS lessee qualifies as a TRS, it will not be treated as a related party tenant with respect to our properties that are managed by a qualifying independent hotel management company. We believe that our TRS will qualify to be treated as a TRS for U.S. federal income tax purposes, but there can be no assurance that the IRS will not challenge the status of our TRS for U.S. federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying our TRS from treatment as a TRS, 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 U.S. federal income tax purposes.

If our hotel managers do not qualify as eligible independent contractors, we will fail to qualify as a REIT. Each of the hotel management companies that enters into a management contract with our TRS, including Hyatt, must qualify as an eligible independent contractor under the REIT rules in order for the rent paid to us by our TRS 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 monitor ownership of our shares by our property managers and their owners, and certain provisions of our declaration of trust are designed to prevent ownership of our shares in violation of these rules, there can be no assurance that these ownership levels will not be exceeded.

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Provisions of our declaration of trust may limit the ability of a third party to acquire control of our company, even if our shareholders believe the change of control is in their best interest.

Common share and preferred share ownership limits

Our declaration of trust provides that, unless an exemption were to be granted by our board of trustees, no person may directly or indirectly own more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate outstanding common shares or more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate preferred shares of each class or series outstanding from time-to-time. These ownership limitations, as well as certain other limits intended to protect our REIT qualification, may 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 interest.

Authority to issue shares of beneficial interest

Our declaration of trust authorizes our board of trustees to issue up to 400,000,000 common shares and up to 100,000,000 preferred shares without approval of our shareholders. Issuances of additional shares 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.

Certain provisions of Maryland law could inhibit changes in control

Certain provisions of Maryland law may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then-prevailing market price of our common shares. The business combination provisions of Maryland law generally prohibit certain business combinations (including a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between us and an interested shareholder (defined generally as any person who beneficially owns 10% or more of our then outstanding voting shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the shareholder becomes an interested shareholder. After the five-year prohibition, any business combination between us and an interested shareholder generally must be recommended by our board of trustees and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of our outstanding voting shares; and (2) two-thirds of the votes entitled to be cast by holders of the outstanding voting shares of our company 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. These super-majority vote requirements do not apply if our common shareholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares. These provisions of Maryland law 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, provided that such business combination is first approved by our board of trustees (including a majority of our trustees who are not affiliates or associates of such person).

Further, under our declaration of trust, a trustee may be removed at any time, but only with cause, at a meeting of the shareholders by the affirmative vote of the holders of not less than two-thirds of the shares then outstanding and entitled to vote generally in the election of trustees.

The control share provisions of Maryland law provide that control shares of a Maryland corporation (defined as shares which, when aggregated with other shares controlled by the shareholder (except solely by virtue of a revocable proxy), 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 votes entitled to be cast by the acquiror of control shares, our officers and our personnel who are also our trustees. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our common shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

The unsolicited takeover provisions of Maryland law permit our board of trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement takeover defenses, some of which (for example, a classified board) 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 the holders of our common shares with the opportunity to realize a premium over the then current market price. See Certain provisions of Maryland law and of our declaration of trust and bylaws Business combinations and Certain provisions of Maryland law and of our declaration of trust and bylaws Control share acquisitions.

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

In order to maintain our 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 U.S. federal income tax laws to include certain entities) at any time during the last half of each taxable year following our first year. To preserve our REIT qualification, our declaration of trust contains a common share ownership limit and a preferred share ownership limit and other related limitations on transfer. Generally, any common shares owned by affiliated owners 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 affiliated owners 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 continuing to qualify as a REIT under the U.S. 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.

Our ownership of our TRS will be limited and our transactions with our TRS 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 equity interest of an entity that is a corporation for U.S. federal income tax purposes if the entity is a TRS. 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 hotel operations 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 TRS will pay U.S. federal income tax and applicable foreign, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but is not required to be distributed by such TRS to us. We anticipate that the aggregate value of the stock and securities of our TRS will be less than 25% of the value of our total assets (including our TRS stock and securities). Furthermore, we monitor the value of our investments in our TRS for the purpose of ensuring compliance with TRS ownership limitations. In addition, we scrutinize all of our transactions with our TRS 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.

We may in the future choose to pay dividends in our common shares instead of cash, in which case shareholders may be required to pay income taxes in excess of the cash dividends they receive.

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. Under Revenue Procedure 2010-12, up to 90% of any such taxable dividend paid with respect to our taxable years 2010 and 2011 could be payable in our shares. 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, or E&P, for U.S. 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 U.S. 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.

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Further, while Revenue Procedure 2010-12 applies only to taxable dividends payable by us in cash or shares with respect to our taxable years 2010 and 2011, it is unclear whether and to what extent we will be able to pay taxable dividends in cash and common shares in later years. Moreover, various aspects of such a taxable cash/share dividend are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/share dividends, including on a retroactive basis, or assert that the requirements for such taxable cash/share dividends have not been met.

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

The REIT provisions of the Internal Revenue 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 U.S. federal income taxation of Chesapeake Lodging Trust. As a result of these rules, we may need 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 TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRS.

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

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

The ability of our board of trustees to change our major corporate policies may not be in your interest.

Our board of trustees determines our major corporate policies, including our acquisition, financing, growth, operations and distribution policies. Our board may amend or revise these and other policies from time-to-time without the vote or consent of 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 requires us to evaluate and report on our internal controls over financial reporting and have our independent auditors annually

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attest to our evaluation, as well as issue their own 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 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.

Risks related to share ownership and the offering

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 Internal Revenue 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 U.S. federal corporate income tax on our undistributed taxable income. In September 2010, we declared our initial quarterly dividend in the amount of $0.20 per common share, payable on October 15, 2010 to each shareholder of record on September 30, 2010. No assurances can be made that we will continue to generate sufficient income to distribute similar aggregate amounts in the future.

Subject to maintaining our REIT qualification, we intend to continue to make regular quarterly distributions to our shareholders. Our board of trustees has the sole discretion to determine the timing, form and amount of any distributions to our shareholders. Our board of trustees will make determinations regarding distributions based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our 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. The per share amount of future distributions also will be affected by the number of common and preferred shares that are outstanding 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 this 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.

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As a result, no assurance can be given that the level of any distributions we make to our shareholders in the future 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 E&P 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.

Our common shares have a limited trading history and are thinly traded, which may limit your ability to liquidate your investment.

Our common shares have traded on the NYSE since our IPO was completed in January 2010. During this period, the shares have traded in relatively small average daily volumes. If our common shares continue to be thinly traded, it may enhance volatility in the share price and make it difficult for investors to buy or sell shares in the public market without materially affecting the sales price. Further, investors seeking to buy or sell a large quantity of our shares in the public market may be unable to do so within one or more trading days. We cannot assure you that a more robust trading market will develop or be sustained. If limited trading in our common shares continues, it may be difficult for you to sell your shares in the public market at any given time at prevailing prices.

The market price of our equity securities may vary substantially, which may cause the value of your investment to fluctuate.

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 (swine flu), 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 whether future issuances of our common shares or the availability of shares for resale in the open market will decrease the market price of our common shares. Sales of substantial numbers of our common shares in the public market, or the perception that such sales might occur, could adversely affect the market price of our common shares. Immediately prior to this offering, we had 9,350,271 common shares issued and outstanding. Of those shares, 7,842,978 are freely transferable.

The market price of our common shares also may decline significantly when the restrictions on resale by certain of our shareholders lapse and the shares become eligible for sale under Rule 144 after one year has elapsed since their acquisition. We have entered into registration rights agreements with each of Hyatt and Baron pursuant to which we have agreed to register the resale of their respective common shares owned by them and their respective permitted transferees, upon their request. In addition, subject to the exceptions and limitations set forth in the registration rights agreements, these holders have unlimited piggyback registration rights pursuant to which they may request the inclusion of their shares in any registration statement we file for the purpose of registering sales of common shares for our account or the account of future shareholders. Our non-executive chairman, our president and chief executive officer and our executive vice president, chief financial officer and treasurer, who own an aggregate of 150,000 common shares purchased in a private placement concurrently with our IPO, also may sell their shares after the shares become eligible for sale under Rule 144 after one year has elapsed since their acquisition.

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, it is possible that these securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common shares and may result in dilution to owners of our common shares. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering 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. Thus holders of our common shares will bear the risk of our future offerings reducing the market price of our common shares, lowering the per share amount of distributions we may pay and diluting the value of their share holdings in us.

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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, plans and objectives. Statements regarding the following subjects are forward-looking by their nature:

- our business and investment strategy;
- our forecasted operating results and expected economic growth and projections regarding the lodging industry;
- our ability to obtain and maintain future financing arrangements;
- our understanding of our competition;
- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy;
- projected capital expenditures and operating results;
- our expectations regarding future distributions to shareholders;
- use of the proceeds of this offering; and
- our expected leverage levels.

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. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider this risk when you make an investment decision concerning our common shares. Additionally, the following factors could cause actual results to vary from our forward-looking statements:

- the factors discussed in this prospectus, including those set forth under the sections titled Risk factors, Management s discussion and analysis of financial condition and results of operations and Our business and properties ;
- our ability to maintain our qualification as a REIT;
- general volatility of the capital markets and the market price of our common shares;

changes in our business or investment strategy;

availability, terms and deployment of capital;

availability of and our ability to retain qualified personnel;

actions and initiatives of the U.S. government, changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;

changes in our industry and the market in which we operate, interest rates or the general U.S. or international economy;

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economic trends and economic recoveries; and

the degree and nature of our competition.

When we use the words will likely result, may, anticipate, estimate, should, expect, believe, intend or similar expressions, we inten forward-looking statements. You should not place undue reliance on these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Use of proceeds

We estimate that the net proceeds from this offering, based on the sale of 6,500,000 common shares at an assumed price of $16.50 per share, after deducting the full underwriting discount and estimated offering costs and expenses, will be approximately $101.9 million. If the underwriters overallotment option is exercised in full, our net proceeds from this offering will be approximately $117.3 million.

We will contribute the net proceeds of this offering to our operating partnership which, in turn, will use the net proceeds to repay up to $105.0 million of outstanding indebtedness under our revolving credit facility. We used these borrowings to fund the acquisitions in July 2010 of the Courtyard Anaheim at Disneyland Resort for approximately $25.1 million and the Boston Marriott Newton for approximately $77.2 million. Borrowings under our revolving credit facility bear interest at the rate of LIBOR + 3.75%, subject to a LIBOR floor of 2.00%. The revolving credit facility matures on July 30, 2012. For a more detailed description of the terms of the revolving credit facility, see Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources. Certain of the underwriters and/or their affiliates are lenders to us under our revolving credit facility and may receive their pro rata portion of amounts repaid from the proceeds of this offering. See Underwriting.

After repaying the outstanding indebtedness under our revolving credit facility, our operating partnership will use any remaining net proceeds, together with the borrowing capacity under our revolving credit facility, 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 any such remaining net proceeds in hotel properties, we intend to invest these net proceeds in certificates of deposit, interest-bearing short-term investment grade securities or money-market accounts which 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 our target hotel properties.

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Price range of common shares and dividend payments

Our common shares began trading on the NYSE under the symbol CHSP on January 22, 2010. On October 4, 2010, the closing price of our common shares, as reported on the NYSE, was $16.50. As of September 1, 2010, there were approximately 15 registered holders of record of our common shares. This figure does not include beneficial owners who hold shares in nominee name. The following table sets forth, for the periods indicated, the high and low sales prices per common share. In September 2010, we declared our initial dividend in the amount of $0.20 per common share, payable on October 15, 2010 to each shareholder of record on September 30, 2010. The terms of our revolving credit facility may limit our ability to pay future dividends on our common shares. See Distribution policy for more information.

	High	Low
2010		
First quarter[1]	$ 20.09	$ 18.70
Second quarter	$ 19.74	$ 15.64
Third quarter	$ 18.35	$ 15.06
Fourth quarter (through October 4, 2010)	$ 16.98	$ 16.37

(1) Information is provided only for the period from January 22, 2010 to March 31, 2010, as our common shares did not begin trading publicly until January 22, 2010.

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Selected financial data

We were organized in the state of Maryland on June 12, 2009.

On January 27, 2010, we completed our IPO. In conjunction with our IPO, we sold additional common shares through private placement transactions and through the exercise of the underwriters overallotment option. The total net proceeds (after deducting initial and deferred underwriting fees and offering costs) generated from the IPO, private placements, and the exercise of the underwriters overallotment option were approximately $169.4 million.

Deploying proceeds from our IPO, private placements and our recently-closed revolving credit facility, we have acquired four hotel properties with aggregate purchase prices of approximately $260.3 million: the Hyatt Regency Boston in Boston, Massachusetts, the Hilton Checkers Los Angeles in Los Angeles, California, the Courtyard Anaheim at Disneyland Resort in Anaheim, California and the Boston Marriott Newton in Newton, Massachusetts. In the table below, the results of operations for the six months ended June 30, 2010 include the operating activity of the Hyatt Regency Boston for 122 days and the operating activity of the Hilton Checkers Los Angeles for 30 days.

The following table sets forth our selected historical financial information. The following information should be read in conjunction with the historical and pro forma financial statements and notes thereto included elsewhere in this prospectus.

Selected Financial Data

(in thousands, except share and per share data)	**For The Six Months Ended June 30, 2010 (unaudited)**
Statement of Operations Data:	
Revenues	$ 14,196
Hotel operating expenses, excluding depreciation and amortization	9,093
Corporate general and administrative:	
Share-based compensation	829
Hotel property acquisition costs	1,127
Other	2,094
Net income	66
Net income per common share basic and diluted	0.01
Weighted-average common shares outstanding basic	9,083,306
Weighted-average common shares outstanding diluted	9,094,891
Other Financial Data:	
Net cash provided by (used in):	
Operating activities	3,769
Investing activities	(161,692)
Financing activities	169,060

	June 30, 2010 (unaudited)	**As of December 31, 2009**
Balance Sheet Data:		
Cash and cash equivalents	$ 11,160	$ 23

Investments in hotel properties, net	158,610	
Total assets	175,322	435
Total shareholders equity	170,266	1

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Unaudited pro forma financial data

We were organized in the state of Maryland on June 12, 2009.

On January 27, 2010, we completed our IPO and concurrent private placements. The total net proceeds (after deducting initial and deferred underwriting fees and offering costs) generated from the IPO (including the partial exercise of the underwriters overallotment option) and private placements were approximately $169.4 million.

We have acquired four hotel properties: the Hyatt Regency Boston in Boston, Massachusetts, the Hilton Checkers Los Angeles in Los Angeles, California, the Courtyard Anaheim at Disneyland Resort in Anaheim, California and the Boston Marriott Newton in Newton, Massachusetts. The results of operations for the six months ended June 30, 2010 include the operating activity of the Hyatt Regency Boston for 122 days and the operating activity of the Hilton Checkers Los Angeles for 30 days.

On July 30, 2010, we entered into a $115.0 million revolving credit facility with a bank lending syndicate, under which we initially borrowed $105.0 million to fund the acquisitions of the Courtyard Anaheim at Disneyland Resort for approximately $25.1 million and the Boston Marriott Newton for approximately $77.2 million. Borrowings under the revolving credit facility bear interest at the rate of LIBOR + 3.75%, subject to a LIBOR floor of 2.00%. As of September 1, 2010, giving effect to the factors that determine amounts available for borrowing, we had approximately $7 million of remaining borrowing capacity under the revolving credit facility.

The unaudited pro forma balance sheet as of June 30, 2010 is based on our unaudited consolidated balance sheet as of June 30, 2010 and reflects the acquisitions of the Courtyard Anaheim at Disneyland Resort and Boston Marriott Newton and the borrowing under the revolving credit facility as if all transactions had occurred on June 30, 2010. The unaudited pro forma statements of operations for the six months ended June 30, 2010 and for the year ended December 31, 2009 reflect the completion of the IPO, the borrowing under the revolving credit facility, and the acquisitions of the Hyatt Regency Boston, Hilton Checkers Los Angeles, Courtyard Anaheim at Disneyland Resort and Boston Marriott Newton as if all transactions had been completed at the beginning of the periods presented.

The unaudited pro forma financial information does not purport to represent what our results of operations or financial condition would actually have been if the completion of the IPO, the borrowing under the revolving credit facility, or the acquisitions of the Hyatt Regency Boston, Hilton Checkers Los Angeles, Courtyard Anaheim at Disneyland Resort and Boston Marriott Newton had in fact occurred at the beginning of the periods presented, or to project our 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 statements, which we believe are reasonable under the circumstances.

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Chesapeake Lodging Trust

Unaudited pro forma consolidated balance sheet

As of June 30, 2010

(in thousands, except share data)

	Historical Chesapeake Lodging Trust	Revolving credit facility[(1)]	Acquisition of Courtyard Anaheim at Disneyland Resort[(2)]	Acquisition of Boston Marriott Newton[(3)]	Pro forma Chesapeake Lodging Trust
ASSETS					
Property and equipment, net	$ 122,657	$	$ 24,986	$ 77,250	$ 224,893
Intangible asset, net	35,953				35,953
Cash and cash equivalents	11,160	101,843	(25,123)	(77,420)	10,460
Restricted cash	438	387			825
Accounts receivable, net	3,133		55	160	3,348
Prepaid expenses and other assets	1,854		98	297	2,249
Deferred financing costs	127	2,770			2,897
Total assets	$ 175,322	$ 105,000	$ 16	$ 287	$ 280,625
LIABILITIES AND SHAREHOLDERS EQUITY					
Long-term debt	$	$ 105,000	$	$	$ 105,000
Accounts payable and accrued expenses	5,056		68	511	5,635
Total liabilities	5,056	105,000	68	511	110,635
Commitments and contingencies					
Preferred shares, $.01 par value; 100,000,000 shares authorized; no shares issued and outstanding					
Common shares, $.01 par value; 400,000,000 shares authorized; 9,349,813 shares issued and outstanding	93				93
Additional paid-in capital	170,107				170,107
Retained earnings (deficit)	66		(52)	(224)	(210)
Total shareholders equity	170,266		(52)	(224)	169,990
Total liabilities and shareholders equity	$ 175,322	$ 105,000	$ 16	$ 287	$ 280,625

(1)

Reflects the proceeds, net of deferred financing costs and required insurance and tax escrow deposits, from the initial borrowing under our revolving credit facility entered into on July 30, 2010.

(2) Reflects the purchase of the Courtyard Anaheim at Disneyland Resort as if it had occurred on June 30, 2010 for $25,083. The acquisition was funded by a borrowing under our revolving credit facility, which closed on July 30, 2010. The pro forma adjustment reflects the following:

Cash paid of $25,071, net of hotel cash acquired of $12;

Cash paid of $52 for hotel acquisition costs subsequent to June 30, 2010;

Purchase of land, building, and furniture, fixtures and equipment of $24,986; and

Purchase of net working capital of $97.

(3) Reflects the purchase of the Boston Marriott Newton as if it had occurred on June 30, 2010 for $77,223. The acquisition was funded by a borrowing under our revolving credit facility, which closed on July 30, 2010. The pro forma adjustment reflects the following:

Cash paid of $77,196, net of hotel cash acquired of $27;

Cash paid of $224 for hotel acquisition costs subsequent to June 30, 2010;

Purchase of land, building, and furniture, fixtures and equipment of $77,250; and

Assumption of net working capital deficit of $27.

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Chesapeake Lodging Trust

Unaudited pro forma consolidated statement of operations

For the six months ended June 30, 2010

(in thousands, except share and per share data)

	Historical Chesapeake Lodging Trust	Acquisition of Hyatt Regency Boston[1]	Acquisition of Hilton Checkers Los Angeles[2]	Revolving credit facility[3]	Acquisition of Courtyard Anaheim at Disneyland Resort[4]	Acquisition of Boston Marriott Newton[5]	Pro forma adjustments	Pro forma Chesapeake Lodging Trust
REVENUE								
Rooms	$ 10,576	$ 2,541	$ 4,021	$	$ 2,464	$ 6,896	$	$ 26,498
Food and beverage	3,238	688	807		228	6,105		11,066
Other	382	106	456		160	426		1,530
Total revenue	14,196	3,335	5,284		2,852	13,427		39,094
EXPENSES								
Hotel operating expenses:								
Rooms	2,300	713	1,008		545	1,929		6,495
Food and beverage	2,230	709	841		180	3,686		7,646
Other direct	242	124	89		46	165		666
Indirect	4,321	1,928	1,921		926	5,035		14,131
Total hotel operating expenses	9,093	3,474	3,859		1,697	10,815		28,938
Depreciation and amortization	952	811	1,719		553	781	(1,251)[6]	3,565
Intangible asset amortization	152	32					74[7]	258
Corporate general and administrative:								
Share-based compensation	829						59[8]	888
Hotel property acquisition costs	1,127						289[9]	1,416
Other	2,094						552[10]	2,646
Total operating expenses	14,247	4,317	5,578		2,250	11,596	(277)	37,711
Operating income (loss)	(51)	(982)	(294)		602	1,831	277	1,383
Interest income	85		266				(266)[11]	85
Interest expense			(372)	(3,762)	(728)	(671)	1,771[12]	(3,762)
Gain on derivatives					420		(420)[13]	
Income (loss) before income taxes	34	(982)	(400)	(3,762)	294	1,160	1,362	(2,294)
Income tax benefit (expense)	32						(101)[14]	(69)
Net income (loss)	$ 66	$ (982)	$ (400)	$ (3,762)	$ 294	$ 1,160	$ 1,261	$ (2,363)
Net income (loss) per common share:								
Basic	$ 0.01							$ (0.26)
Diluted	$ 0.01							$ (0.26)

Weighted-average number of common shares outstanding:		
Basic	9,083,306	9,098,791(15)
Diluted	9,094,891	9,098,791(15)

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(1) Reflects the results of operations of the Hyatt Regency Boston prior to the effective date of our acquisition of the hotel on March 1, 2010.

(2) Reflects the results of operations of the Hilton Checkers Los Angeles prior to our acquisition of the hotel on June 1, 2010.

(3) Reflects the interest expense, including amortization of deferred financing costs, associated with the initial borrowing of $105 million under our revolving credit facility entered into on July 30, 2010.

(4) Reflects the results of operations of the Courtyard Anaheim at Disneyland Resort for the six months ended June 30, 2010.

(5) Reflects the results of operations of the Boston Marriott Newton for the six months ended June 30, 2010.

(6) Reflects adjustment to depreciation expense based on our cost basis in the acquired hotel properties and its accounting policy for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for building and seven years for furniture, fixtures and equipment.

(7) Reflects adjustment to amortization of intangible asset expense based on our cost basis in the acquired long-term air rights contract associated with the Hyatt Regency Boston and our accounting policy for amortization. Intangible asset amortization is computed using the straight-line method over the term of the contract, which expires in 2079.

(8) Reflects adjustment to record full six months of share-based compensation expense for our board of trustees and executives with management contracts as if we had commenced operations on January 1, 2010.

(9) Reflects adjustment to record transaction costs incurred to acquire the Hilton Checkers Los Angeles, Courtyard Anaheim at Disneyland Resort, and Boston Marriott Newton.

(10) Reflects adjustment to record full six months of corporate general and administrative expenses, including employee payroll and benefits, board of trustees fees, investor relations costs, professional services fees, and other costs of being a public company as if we had commenced operations on January 1, 2010.

(11) Reflects removal of historical interest income associated with a note receivable not assumed in conjunction with the acquisition of the Hilton Checkers Los Angeles.

(12) Reflects removal of historical interest expense associated with debt not assumed in conjunction with the acquisitions of the Hilton Checkers Los Angeles, Courtyard Anaheim at Disneyland Resort, and Boston Marriott Newton.

(13) Reflects removal of historical gain on derivatives associated with an interest rate swap contract not assumed in conjunction with the acquisition of the Courtyard Anaheim at Disneyland Resort.

(14) Reflects adjustment to record pro forma income taxes related to our TRS as if all acquisitions had occurred on January 1, 2010.

(15) Reflects number of common shares issued and outstanding as if our IPO and private placements had occurred on January 1, 2010.

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Chesapeake Lodging Trust

Unaudited pro forma consolidated statement of operations

For the year ended December 31, 2009

(in thousands, except share and per share data)

	Historical Chesapeake Lodging Trust[1]	Acquisition of Hyatt Regency Boston[2]	Acquisition of Hilton Checkers Los Angeles[3]	Revolving credit facility[4]	Acquisition of Courtyard Anaheim at Disneyland Resort[5]	Acquisition of Boston Marriott Newton[6]	Pro forma adjustments	Pro forma Chesapeake Lodging Trust
REVENUE								
Rooms	$	$ 24,120	$ 9,519	$	$ 4,624	$ 13,321	$	$ 51,584
Food and beverage		8,193	1,742		455	10,852		21,242
Other		1,044	968		348	1,441		3,801
Total revenue		33,357	12,229		5,427	25,614		76,627
EXPENSES								
Hotel operating expenses:								
Rooms		6,153	2,481		1,061	3,695		13,390
Food and beverage		5,596	1,770		350	6,703		14,419
Other direct		637	218		95	545		1,495
Indirect		11,533	4,345		1,855	10,035		27,768
Total hotel operating expenses		23,919	8,814		3,361	20,978		57,072
Depreciation and amortization		4,409	4,003		1,104	2,845	(5,232)[7]	7,129
Intangible asset amortization		197					322[8]	519
Corporate general and administrative:								
Share-based compensation							1,774[9]	1,774
Hotel property acquisition costs						1,028	388[10]	1,416
Other							5,293[11]	5,293
Total operating expenses		28,525	12,817		4,465	24,851	2,545	73,203
Operating income (loss)		4,832	(588)		962	763	(2,545)	3,424
Interest income		4	659				(637)[12]	26
Interest expense			(1,236)	(7,524)	(1,471)	(387)	3,094[13]	(7,524)
Gain on hotel acquisition						10,900	(10,900)[14]	
Gain on derivatives					840		(840)[15]	
Income (loss) before income taxes		4,836	(1,165)	(7,524)	331	11,276	(11,828)	(4,074)
Income tax expense							(391)[16]	(391)
Net income (loss)	$	$ 4,836	$ (1,165)	$ (7,524)	$ 331	$ 11,276	$ (12,219)	$ (4,465)
Net loss per common share basic and diluted	$							$ (0.49)

Weighted-average number of common shares outstanding basic and diluted	100,000	9,098,647(17)

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(1) We had no operations for the year ended December 31, 2009.

(2) Reflects the historical audited statement of operations of the Hyatt Regency Boston for the year ended December 31, 2009.

(3) Reflects the historical audited statement of operations of the Hilton Checkers Los Angeles for the year ended December 31, 2009.

(4) Reflects the interest expense, including amortization of deferred financing costs, associated with the initial borrowing of $105 million under our revolving credit facility entered into on July 30, 2010.

(5) Reflects the historical audited statement of operations of the Courtyard Anaheim at Disneyland Resort for the year ended December 31, 2009.

(6) Reflects the historical audited statement of operations of the Boston Marriott Newton for the period from January 3, 2009 through December 31, 2009.

(7) Reflects adjustment to depreciation expense based on our cost basis in the acquired hotel properties and its accounting policy for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for building and seven years for furniture, fixtures and equipment.

(8) Reflects adjustment to amortization of intangible asset expense based on our cost basis in the acquired long-term air rights contract associated with the Hyatt Regency Boston and our accounting policy for amortization. Intangible asset amortization is computed using the straight-line method over the term of the contract, which expires in 2079.

(9) Reflects adjustment to record full year share-based compensation expense for our board of trustees and executives with management contracts.

(10) Reflects adjustment to remove historical transaction costs incurred with the previous sale of the Boston Marriott Newton on July 16, 2009 and to record transaction costs incurred to acquire the hotel properties.

(11) Reflects adjustment to record full year corporate general and administrative expenses, including employee payroll and benefits, board of trustees fees, investor relations costs, professional services fees, and other costs of being a public company.

(12) Reflects removal of historical interest income associated with a note receivable not assumed in conjunction with the acquisition of the Hilton Checkers Los Angeles.

(13) Reflects removal of historical interest expense associated with debt not assumed in conjunction with the acquisitions of the Hilton Checkers Los Angeles, Courtyard Anaheim at Disneyland Resort, and Boston Marriott Newton.

(14) Reflects removal of historical gain on hotel acquisition associated with the previous sale of the Boston Marriott Newton on July 16, 2009.

(15)

Reflects removal of historical gain on derivatives associated with an interest rate swap contract not assumed in conjunction with the acquisition of the Courtyard Anaheim at Disneyland Resort.

(16) Reflects adjustment to record pro forma income taxes related to our TRS as if all acquisitions had occurred on January 1, 2009.

(17) Reflects number of common shares issued and outstanding as if our IPO and private placements had occurred on January 1, 2009.

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Capitalization

The following table sets forth, as of June 30, 2010, our capitalization on a historical basis, our pro forma capitalization, adjusted to give effect to:

on July 30, 2010, borrowing of $105.0 million under our revolving credit facility to fund the acquisitions of the Courtyard Anaheim at Disneyland Resort and the Boston Marriott Newton; and

on July 30, 2010, acquiring the Courtyard Anaheim at Disneyland Resort for approximately $25.1 million and the Boston Marriott Newton for approximately $77.2 million; and

our pro forma capitalization, as further adjusted to give effect to the pro forma items described above and the use of the estimated net proceeds of approximately $101.9 million from the sale of 6,500,000 common shares in this offering at an assumed price of $16.50 per share, after deducting the full underwriting discount and estimated offering costs payable by us.

Capitalization

As of June 30, 2010	Historical	Pro forma	Pro forma as adjusted
		(Unaudited, in thousands)	
Cash and cash equivalents	$ 11,160	$ 10,460(1)	$ 10,460(1)
Long-term debt:			
Revolving credit facility	$	$ 105,000(2)	$ 3,061(2)
Shareholders equity:			
Preferred shares, $.01 par value; 100,000,000 shares authorized; no shares issued and outstanding, respectively			
Common shares, $.01 par value; 400,000,000 shares authorized; 9,349,813 shares (actual), 9,349,813 (pro forma) and 15,849,813 shares (pro forma as adjusted) issued and outstanding	93	93	158(3)
Additional paid-in capital	170,107	170,107	271,981(4)
Retained earnings (deficit)	66	(210)(5)	(210)(5)
Total shareholders equity	$ 170,266	$ 169,990	$ 271,929
Total capitalization	$ 170,266	$ 274,990	$ 274,990

(1) Historical balance as of June 30, 2010	$ 11,160
Proceeds from borrowing under the revolving credit facility, net of deferred financing costs and required insurance and tax escrows	101,843
Acquisition of the Courtyard Anaheim at Disneyland Resort	(25,071)
Acquisition of the Boston Marriott Newton	(77,196)
Hotel acquisition costs incurred subsequent to June 30, 2010	(276)
Pro forma balance as of June 30, 2010	$ 10,460

Estimated net proceeds from this offering after repayment of borrowing under the revolving credit facility		
Pro forma as adjusted balance as of June 30, 2010	$	10,460
(2) Historical balance as of June 30, 2010	$	
Proceeds from borrowing under the revolving credit facility		105,000
Pro forma balance as of June 30, 2010		105,000
Repayment of borrowing under the revolving credit facility from the estimated net proceeds from this offering		(101,939)
Pro forma as adjusted balance as of June 30, 2010	$	3,061
(3) Historical and pro forma balance as of June 30, 2010	$	93
Issuance of common shares related to this offering		65
Pro forma as adjusted balance as of June 30, 2010	$	158
(4) Historical and pro forma balance as of June 30, 2010	$	170,107
Issuance of common shares related to this offering		101,874
Pro forma as adjusted balance as of June 30, 2010	$	271,981
(5) Historical balance as of June 30, 2010	$	66
Hotel acquisition costs incurred subsequent to June 30, 2010		(276)
Pro forma and pro forma as adjusted balance as of June 30, 2010	$	(210)

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Distribution policy

In order to qualify as a REIT, we must annually distribute to our shareholders an amount at least equal to:

(i) 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain); plus

(ii) 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Internal Revenue Code; less

(iii) any excess non-cash income (as determined under Sections 856 through 860 of the Internal Revenue Code).
See Material U.S. federal income tax considerations.

The amount, timing and frequency of future distributions will be determined by our board of trustees based upon a number of factors, including:

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

The amount of cash available for distributions to our shareholders depends, in part, upon our receipt of distributions from our operating partnership, which may depend upon receipt of lease payments from our TRS, and, in turn, upon the management of our properties by the various managers our TRS has engaged to operate our hotels. In September 2010, we declared our initial quarterly dividend in the amount of $0.20 per common share, payable on October 15, 2010 to each shareholder of record on September 30, 2010. In addition to the factors outlined above, the per share amounts of future distributions will depend on the number of our common and preferred shares outstanding from time-to-time.

Distributions to our shareholders generally will be taxable to our shareholders as ordinary income. Because our investment strategy is to acquire hotel properties, which will result in depreciation and non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital. Subject to maintaining our qualification as a REIT, we may retain any earnings that accumulate in our TRS.

Although we intend to continue to make regular distributions to our shareholders in cash from our earnings, we may, from time-to-time, make distributions to our shareholders in our common shares. We will not use the proceeds of this offering to make distributions to our shareholders, except to the extent necessary to meet the REIT qualification requirements or eliminate U.S. federal income tax liability. To the extent that, in respect of any calendar year, cash available for distribution is less than our net taxable income, we could be required to use proceeds from future equity or debt offerings, sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable share distribution or distribution of debt securities.

The terms of our revolving credit facility also may limit our ability to make distributions to our shareholders. Under the terms of the revolving credit facility, provided no event of default thereunder has occurred, we may only make distributions to our shareholders so long as the payments, together with any previous such cash payments in the same fiscal year, are not in excess of the greater of (i) 90% of our funds from operations during such fiscal year and (ii) the amount required (on an annualized basis) for us to maintain our status as a REIT.

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U.S. lodging industry

Overview

Historically, the lodging industry in the United States has been cyclical in nature. Generally, lodging industry performance correlates with macroeconomic conditions in the United States. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which affect levels of business and leisure travel. Historically, recovery in demand for lodging has generally lagged improvement in the overall economy. In addition to general economic and local market conditions, new hotel room supply has the potential to further exacerbate the negative impact of an economic recession. Lodging supply growth is typically driven by overall lodging demand, as extended periods of strong demand growth tend to encourage new hotel development. However, the rate of supply growth is also influenced by a number of additional factors, including availability and cost of capital, construction costs and local market considerations.

Beginning in 2008, the U.S. lodging industry experienced a significant downturn due to a decline in consumer and business spending as a result of the weakness in the global economy, particularly the turmoil in the credit markets, erosion of consumer confidence and increasing unemployment. As a result, lodging demand from both leisure and business travelers decreased significantly in 2008 and 2009, with 2009 marking the greatest decline over the 22-year period that Smith Travel Research has tracked the lodging industry. This decreased demand for hotel rooms, together with modest increases in hotel room supply in 2008 and 2009 due to the completion of hotel properties under development before the global recession, resulted in declines in occupancy and reductions in room rates as hotels competed more aggressively for guests. These events have had a substantial negative impact on revenue per available room, or RevPAR, which is the product of average daily rate, or ADR, and occupancy, and is one of the key performance indicators used in the lodging industry. According to Smith Travel Research, RevPAR declined 16.7% in 2009, the largest decline recorded since they began tracking the U.S. lodging industry 22 years ago, and a significantly larger decline than the two most recent lodging industry downturns in 1991 and 2001/2002, which are considered two of the worst periods in modern U.S. lodging industry history.

However, through the first eight months of 2010, we have seen trends of improved fundamentals in the U.S. lodging industry. Demand for rooms has increased and, according to Smith Travel Research, U.S. hotel RevPAR grew in March 2010, after 19 consecutive months of declines as measured against prior-year periods. According to Smith Travel Research, in the second quarter of 2010, pricing power began to return in a few of the major leading markets, such as New York, New York, Boston, Massachusetts, and Washington, D.C., with gains in ADR for the first time since the economic recession started in 2008. These trends have resulted in RevPAR growth of 4.0% for the first eight months of 2010, as compared to the prior-year period. With supply of available rooms expected to rise at a significantly slower pace over the next several years than during 2006-2008 and demand for rooms to increase significantly to the extent the U.S. economy rebounds, we expect meaningful growth in RevPAR in 2011 and for several years thereafter.

Expected rebound in lodging demand

As shown in the graph below, growth in hotel room demand has historically been correlated to growth in U.S. GDP. During the 22-year period from 1988 to 2009, demand for hotel rooms grew at an average annual rate of 1.5%, as compared to the 2.6% average annual growth rate in GDP during the same period. This period of overall growth was interrupted by a weakening economy and disruptions in travel activities in 2001. Beginning in 2002, lodging demand and GDP began to show signs of recovery. From 2002 to 2007, demand for hotel rooms grew at an average annual rate of 1.6%, while GDP increased at an average annual rate of 2.6%. Although signs of weakness in demand again emerged in 2007, demand did not contract steeply until the fourth quarter of 2008 following a decline in GDP, at which point hotel demand fell to a level 5.6% below the prior year. This steep contraction in demand continued through 2009, with GDP decreasing 2.6% for the year, tracking the continued decline in the economy.

However, we believe economic conditions have begun to recover, as evidenced by growth in GDP in the first half of 2010. In its April 2010 World Economic Outlook Database, the International Monetary Fund is forecasting GDP growth of 3.1% and 2.6% in 2010 and 2011, respectively, and HVS expects that room demand will grow 7.5% and 3.0% over those years, respectively, as the U.S. economy improves. As shown in the graph below, we expect the strengthening economy to drive further growth in hotel demand for several years to come, as has historically been the case.

U.S. Lodging Industry Annual Change in Room Demand and U.S. Real GDP

Source: Real GDP 1987A-2009A: Bureau of Economic Analysis, 2010E-2015E: IMF forecasts;

Room Demand 1988A-2009A: Smith Travel Research, 2010E-2015E: HVS

Supply constrained environment

As reflected in the graph below, during the 22-year period from 1988 through 2009, new hotel supply growth averaged 2.1% annually. While supply growth in 2008 and 2009 was modestly above historical averages, we believe that supply growth peaked in late 2008 to early 2009. Historically, periods of weak hotel industry performance have been followed by a decrease in the growth of new hotel supply as the availability of new development capital declines. Even as the economy and the hotel industry begin to improve and capital becomes more readily available, new development usually requires several years to complete and, therefore, supply growth typically lags behind demand growth. As shown in the graph below, according to Smith Travel Research, average annual growth in supply of hotel rooms for the five-year period from 1991 through 1995 and for the six-year period from 2002 through 2007 was significantly below the 22-year historical average of 2.1%.

We believe that in most of our target markets, current hotel level profitability is below levels that economically justify construction of new hotels, and that, until lodging industry fundamentals return to more attractive levels and financing terms become more favorable, proposed new hotel development generally is not economically justifiable. As a result, we expect hotel supply growth over the next few years to remain significantly below its historical annual average of 2.1%. Therefore, even moderate increases in hotel demand should translate into increases in hotel revenues and profitability.

U.S. Lodging Industry Annual Change in Hotel Room Supply

Source: 1988A-2009A: Smith Travel Research, 2010E-2015E: HVS

Expected rebound in RevPAR

Periods of greater RevPAR growth generally occur when room demand exceeds new supply growth. Historically, the hotel industry has experienced above-average RevPAR growth in years following industry downturns. As reflected in the graph below, during the 22-year period from 1988 to 2009, industry annual RevPAR growth averaged 2.3%. Following the economic recessions in 1991 and 2001-2002, the lodging industry experienced nine consecutive years of positive RevPAR growth from 1992 through 2000 and five consecutive years of positive RevPAR growth from 2003 through 2007. During these two periods of sustained growth, average annual RevPAR growth was 4.5% and 6.1%, respectively, rates significantly higher than the 22-year average of 2.3%. In addition, the upper-upscale segment of the lodging industry, in which we target our investments, has performed in line with or exceeded industry averages during periods of positive RevPAR growth. During the nine-year period following the 1991 recession, the upper-upscale segment of the lodging industry experienced 5.8% RevPAR growth, as compared to the 4.5% overall industry average over the same period. Similarly, during the five-year period following the 2001-2002 lodging industry downturn, the upper-upscale segment experienced RevPAR growth of 5.7%, as compared to industry-wide growth of 6.1%.

Annual RevPAR declined in 2008 and declined significantly in 2009, but has grown 4.0% for the first eight months of 2010, as compared to the prior-year period, and according to HVS, is expected to increase by 4.3% for the full year in 2010. The U.S. lodging industry has shown resilience and strong long-term growth since 1988 and is influenced significantly by the cyclical relationship between the supply of, and demand for, hotels. As a result, we believe that minimal hotel room supply growth and improving macroeconomic conditions in the United States will create a favorable environment for a sustainable increase in RevPAR over the next several years. As business fundamentals continue to stabilize, lodging demand slowly increases and the United States and the rest of the world emerges from the recent economic crisis, we believe that RevPAR will increase significantly, particularly in the upper-upscale segment, as it did following the 1991 and 2001-2002 economic recessions.

U.S. Lodging Industry Annual Change in RevPAR, Room Demand and Room Supply

Source: 1988A-2009A: Smith Travel Research, 2010E-2015E: HVS

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Our business and properties

Overview

We are a self-advised hotel investment company that invests primarily in upper-upscale hotels in major business, airport and convention markets and, on a selective basis, in premium select-service hotels in urban settings or unique locations in the United States. As of the date of this prospectus, we own four hotel properties with aggregate purchase prices of approximately $260.3 million: the 498-room Hyatt Regency Boston located in Boston, Massachusetts, the 188-room Hilton Checkers Los Angeles located in Los Angeles, California, the 153-room Courtyard Anaheim at Disneyland Resort located in Anaheim, California and the 430-room Boston Marriott Newton located in Newton, Massachusetts. We believe current industry dynamics will continue to present us with attractive opportunities to acquire high-quality hotel properties, at prices below replacement costs, with attractive yields on investment and significant upside potential.

Upon completion of this offering, we expect to have approximately $125 million in cash and borrowing capacity under our revolving credit facility available to acquire additional hotel properties. We may incur additional indebtedness in the future to supplement our investment capital and maintain flexibility to respond to industry conditions and opportunities. We intend to target an overall debt level of up to 45% of the aggregate purchase prices of all our portfolio properties.

Our senior executive officers have extensive experience in the lodging industry that we believe enhances our ability to identify and consummate attractive hotel acquisitions and enable us to improve our properties operating performance. This experience includes the acquisition, development, financing, repositioning, asset management and disposition of hotels, and the management and operation of Highland Hospitality Corporation, a lodging REIT that operated in the upper-upscale segment from its initial public offering in December 2003 until its sale in July 2007. In addition to their service with Highland, our senior executive officers have held senior management and executive positions at several other publicly traded lodging companies, including Crestline Capital Corporation, Marriott International, Inc., Host Hotels & Resorts, Inc. and Prime Hospitality Corporation. Through this experience, they have established a broad network of hotel industry contacts, including long-standing relationships with hotel owners, independent hotel managers, global hotel brands, hotel brokers, financiers and institutional investors that we believe provides us with attractive acquisition opportunities. In addition, we have entered into a sourcing relationship with Hyatt that may continue to provide us with additional attractive acquisition opportunities beyond our acquisition of the Hyatt Regency Boston.

We intend to elect and qualify to be treated as a REIT for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2010.

Recent developments

Declared initial dividend. On September 9, 2010, we declared our initial quarterly dividend in the amount of $0.20 per share, payable on October 15, 2010.

Acquired four hotel properties. See the table below under Our hotel properties for more information about these acquisitions.

Closed $115.0 million revolving credit facility. On July 30, 2010, we closed a two-year, $115.0 million revolving credit facility with a lending syndicate. Our operating partnership is the borrower, and we and certain of our indirect subsidiaries serve as guarantors of borrowings under the revolving credit facility. Affiliates of J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., Wells Fargo Securities, LLC and KeyBanc Capital Markets Inc. are lenders under our revolving credit facility. In addition, the affiliate of J.P. Morgan Securities LLC serves as syndication agent and the affiliate of Wells Fargo Securities, LLC is the administrative agent for the revolving credit facility. Amounts we borrow under the revolving credit facility (i) are secured by cross-collateralized, first mortgage liens on our existing hotel properties, and related equipment, fixtures, personal property and other assets; (ii) may, in the future, be secured by other hotels we acquire and include as collateral, if approved by our lenders; and (iii) are fully recourse to us. Borrowings under the revolving credit facility bear interest at the rate of LIBOR + 3.75%, subject to a LIBOR floor of 2.00%. On July 30, 2010, we borrowed $105.0 million under the revolving credit facility and used $102.3 million to fund the acquisitions of the Courtyard Anaheim at Disneyland Resort and the Boston Marriott Newton. For a more detailed description of the terms, see Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources.

Completed initial public offering and concurrent private placements. On January 27, 2010, we completed our IPO and sold 7,500,000 common shares at a price of $20 per share, resulting in gross proceeds of $150 million and net proceeds (after deducting initial underwriting fees and offering costs) of approximately $146.7 million. Concurrently with the IPO, we sold in private placements (1) 452,431 common shares to Hyatt and 904,862 common shares to BAMCO, Inc. on behalf of certain of its investment advisory clients, or Baron, in each case at a price of $18.80 per share and (2) 150,000 common shares to our non-executive chairman and certain executive officers at $20.00 per share. Private placements generated net proceeds of approximately $28.5 million. On February 24, 2010, we sold an additional 85,854 common shares as a result of the partial exercise of the underwriters overallotment option, resulting in additional net proceeds of approximately $1.7 million. On May 21, 2010, we paid $7.6 million to the underwriters of our IPO, representing all of the underwriting fees that were deferred in connection with our IPO. The total net proceeds (after deducting initial and deferred underwriting fees and offering costs) generated from the IPO, private placements, and the partial exercise of the underwriters overallotment were approximately $169.4 million.

Our team

The founding members of our management team are James L. Francis, our president and chief executive officer, and Douglas W. Vicari, our executive vice president, chief financial officer and treasurer. These senior executive officers have extensive management expertise and lodging industry experience with both public and private hospitality companies. During their careers, these senior executive officers have held senior management and executive positions as well as various finance, development, strategic and brand roles at major publicly traded lodging companies. In these roles, they have participated in numerous lodging-related transactions and assumed significant management responsibilities. This experience includes:

- hotel investments, including single property and portfolio acquisitions;

- hotel and company level financings, such as single property and portfolio debt financings, including loans included in securitized transactions, public debt offerings, public and private equity offerings and corporate credit facilities;

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- hotel dispositions, including single property, portfolio and company dispositions; and

- asset management, including extensive renovation and repositioning programs, as well as re-branding or changing hotel management of select properties.

In addition to Messrs. Francis and Vicari, our management team includes D. Rick Adams, our senior vice president and chief investment officer, and Graham J. Wootten, our senior vice president, chief accounting officer and secretary. Messrs. Adams and Wootten have multiple years of experience in the hospitality industry, and each of them worked with Messrs. Francis and Vicari at Highland. We expect to expand our team to between 12-15 employees, with the exact number to be determined based on the size and growth of our portfolio of properties.

Relationship with Hyatt

We have entered into a sourcing relationship with Hyatt. Hyatt is a global hospitality company with widely recognized, industry leading brands. Hyatt manages, franchises, owns and develops Hyatt-branded hotels, resorts and residential and vacation ownership properties around the world. As of June 30, 2010, Hyatt s worldwide portfolio consisted of 445 Hyatt-branded properties (126,047 rooms and units). Hyatt operates full service hotels under five world-recognized brands, Park Hyatt®, Andaz®, Grand Hyatt®, Hyatt Regency® and Hyatt®. Additionally, Hyatt operates two select-service brands, Hyatt Place® and Hyatt Summerfield Suites® (an extended stay brand).

Our strong relationship with Hyatt enabled us to work efficiently in acquiring the Hyatt Regency Boston from Hyatt in March 2010, and we believe that our sourcing relationship with Hyatt enhances our ability to execute our business strategy by potentially providing us with an additional source of attractive acquisition opportunities. Pursuant to our sourcing agreement, we are required, until the third anniversary of our IPO, to provide Hyatt with an exclusive right of first offer to manage or franchise each hotel we acquire, to the extent those properties are not operated under other brands and we determine that a brand relationship is desirable. Additionally, Hyatt may, in its sole discretion, identify and refer acquisition opportunities to us. We believe that our relationship with Hyatt benefits our shareholders as a result of Hyatt s strong brands and excellent hotel management services. We are continuing to explore with Hyatt how to further our sourcing relationship in order to maximize the value of the relationship to both parties.

As of September 1, 2010, Hyatt owned approximately 4.8% of our outstanding common shares. We believe that Hyatt s equity stake in our company further aligns their interests with our interests, and may provide added incentive to Hyatt to help us to execute our business strategy.

Competitive strengths

We believe the following competitive strengths distinguish us from other owners, acquirors and investors in hotel properties:

Experienced management team: A veteran management team with a proven track record and substantial lodging industry experience enables us to effectively implement our business strategy by evaluating investment opportunities and deploying capital in hotels that provide attractive long-term returns. Our senior executive officers have previously worked together for a number of years and have extensive experience, having served as executives in several publicly traded lodging companies, including Highland, Marriott International, Inc., Host Hotels & Resorts, Inc., Crestline Capital Corporation and Prime Hospitality Corporation.

High-quality initial hotel portfolio: Our portfolio is comprised of four hotel properties that we believe will generate attractive risk-adjusted returns for our investors as a result of the desirable locations of these properties, their brand affiliations with Hyatt, Marriott and Hilton, all of which are among the top global hotel franchisors, and the high-quality condition of the properties following significant capital investments made by their prior owners. For the six months ended June 30, 2010, each of our properties has experienced significant improvements in RevPAR and total hotel revenues as compared to the comparable period in 2009. Due to the fact that our properties are located in markets in which we believe there will be limited growth in lodging supply over the next several years, we expect these improvements to strengthen further as the recovery in the lodging industry accelerates.

Extensive industry relationships: Our senior management team has established and maintained a broad network of hotel industry contacts, including long-standing relationships with hotel owners, independent hotel managers, global hotel brands, hotel brokers, financiers, institutional investors and other key industry participants. These broad industry relationships have proven valuable in the acquisitions we have completed to date, and we believe that they will continue to provide us with a strong source of additional hotel property investment opportunities.

Growth oriented capital structure with no legacy issues: We believe that many institutional buyers of hotel assets will be constrained in their ability to make acquisitions over the next several years as they address the adverse effects of both a highly leveraged capital structure and declining operating performance on their existing portfolio. Unlike many of these potential buyers, we have no distressed assets limiting our management s focus or ability to acquire assets. Following this offering, we expect to have approximately $125 million of cash and borrowing capacity under our revolving credit facility available to execute our acquisition strategy.

Proven acquisition and disposition capabilities: Throughout their careers, our senior executive officers have pursued investment strategies that include acquiring, developing, financing, repositioning and selling hotel properties. While our chief executive officer and chief financial officer worked together at Highland from its IPO in 2003 until its sale in 2007, Highland invested in 30 hotel properties with over 9,000 rooms. These skills have been displayed in the deployment of the net proceeds from our IPO and concurrent private placements and initial borrowings under our revolving credit facility to acquire our four initial properties.

Strategic relationship with Hyatt: We have entered into a sourcing relationship with Hyatt, a global hospitality company with widely recognized, industry leading brands. We believe this relationship, as well as Hyatt s strong brands and excellent hotel management services, enhances our ability to execute our business strategy and potentially provides us with an additional source of attractive acquisition opportunities.

Market opportunity

We believe current industry dynamics will continue to present us with attractive opportunities to acquire high-quality hotel properties, at prices below replacement costs, with attractive yields on investment and significant upside potential. From 2003 through 2008, pricing of hotel properties in the United States appreciated well in excess of the properties underlying financial performance, primarily driven by record levels of debt financing. These market conditions drove

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significant growth in both hotel property-level transactions and privatizations of publicly traded hotel companies. According to HVS, from 2003 through 2008 there were approximately $63 billion of hotel property-level transactions, an amount roughly equal to the aggregate property level transaction volume over the 13 years prior to 2003. In addition, according to data provided by SNL Financial LC, from 2003 through 2007 there were approximately $54 billion of privatizations of publicly traded hotel companies. This significant transactional activity was supported by readily available debt financing at historically high loan-to-value ratios, provided mainly by traditional real estate lenders, such as national and regional banks and insurance companies and also through the issuance of CMBS.

From 2008 through early 2010, a significant correction in the price of hotel properties occurred, primarily as a result of the impact of the economic downturn on the lodging industry. In addition, due to the widely publicized credit crisis, the CMBS market was virtually closed, and many traditional lenders have seen their balance sheets impaired, resulting in a severe contraction in available debt financing for hotel properties.

We believe the combined effects of the severe decline in hotel operating performance, the limited availability of debt financing from traditional real estate lenders and the decline in hotel property valuations will yield a high level of foreclosures, restructurings and distressed hotel asset sales. The number of hotel defaults, foreclosures and properties in distress already has hit record levels. Based on sources we consider reliable, we believe that, as of July 2010, hotel loans representing approximately $34.0 billion of outstanding balances were in distress, as compared to approximately $739 million in January 2008. We believe this distress will be further exacerbated as hotel owners face debt maturities at a time when industry performance, while improving, remains substantially below peak levels and property values have declined (in some cases even below current debt balances), while replacement financing is limited.

We expect this widespread financial distress to result in a significant supply of hotel investment opportunities from a range of sellers, including national and regional banks, insurance companies, private equity funds, real estate mezzanine debt investors, hotel owners and CMBS special servicers. In addition to financial distress as a result of declining performance and debt requirements, we believe this increased supply of opportunities will also be driven by certain owners potentially facing the inability to meet franchisor-required capital expenditures. According to HVS, hotel transactions in the first half of 2010 more than doubled from 29 to 73 sales, as compared to the prior-year period, indicating growth in transaction activity and volumes, which we anticipate will continue for the next several years. We believe that we will be able to capitalize on these opportunities to acquire high-quality hotel properties at deep discounts to replacement cost, with substantial appreciation potential to the extent the U.S. economy recovers.

Our strategy

We believe the following investment criteria and strategy promote the growth of our company and our ability to deliver strong total returns to our shareholders:

External growth. We focus our investments primarily in upper-upscale hotels in major business, airport and convention markets and, on a selective basis, in premium select-service hotels in urban settings or unique locations in the United States. We believe these types of hotels currently offer the opportunity for stronger returns than hotels in other segments of the industry due to an expected increase in lodging demand, particularly among business travelers, given the forecasted resumption in growth of the U.S. economy starting in 2011.

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We pursue investment opportunities primarily in upper-upscale hotel properties operating under national franchise brands, with which our executive officers have existing relationships, such as Hyatt®, Hyatt Regency®, Hilton®, Marriott®, Renaissance®, Sheraton® and Westin®. In some instances, we may also invest in premium select-service brands, such as Hyatt Place®, Courtyard by Marriott® and Hilton Garden Inn® or boutique hotels (unbranded) located in urban settings or unique locations. We focus on acquisitions that will strengthen the overall quality of our portfolio and further diversify the portfolio by market, customer type and brand.

We seek to acquire primarily hotel properties that meet the following investment criteria:

- Strong location: hotel properties located in high barrier to entry markets in the top 25 MSAs, in close proximity to major market demand generators;

- Market leaders: hotel properties that are proven leaders in market share, setting the rates in the market and providing superior meeting space, services or amenities; and

- Good condition: hotel properties that are well-maintained, as determined based on our review of third party property condition reports and other data obtained during our due diligence process.

We believe each of the hotels in our portfolio satisfy these investment criteria. The Hyatt Regency Boston is a well-maintained, high-quality asset that we believe will continue to benefit from Hyatt s brand strength and management expertise. The Hilton Checkers Los Angeles is located in downtown Los Angeles, which we believe will continue to benefit the hotel due to the heavy business and leisure traffic in Los Angeles. The Courtyard Anaheim at Disneyland Resort benefits from a strong brand affiliation and its proximity to the major business and leisure demand drivers in the market. The Boston Marriott Newton sits on 11.5 acres of scenic riverfront land along the Charles River, is well-positioned within the Route 128 high-technology corridor, convenient to downtown Boston and Logan International Airport and recently underwent an extensive renovation of its guestrooms, public spaces and meeting rooms, including the addition of a junior ballroom.

Additionally, we pursue opportunities for:

- Re-branding: we evaluate opportunities to re-brand certain hotels by determining which brands are available in the market, seeking to quantify the potential improvement in revenue generation and profitability and undertaking a cost/benefit analysis of investing capital to bring the property into compliance with the standards of the selected brand. We analyze these opportunities by reviewing the revenue data of the local competitive set of hotels that are branded most similar to the proposed new brand for the property, which data we obtain from a third party, Smith Travel Research. Based on this data, we project the expected revenue for the property with the new brand and use hotel industry standards for profit margins to calculate potential profits. These additional profits are then compared to the expected capital costs for the brand conversion to calculate a return on investment, which we use to determine whether it is in our shareholders interests to undertake the re-branding project. Under our sourcing agreement with Hyatt, we must offer Hyatt the right to manage or franchise each hotel we acquire and plan to re-brand.

- Renovation: we consider properties that are in prime locations and are structurally sound, but have been neglected and can be purchased at attractive prices and renovated and reintroduced into the market at a cost significantly lower than what would have been spent to acquire a stabilized property or to develop a new hotel of similar quality. To assess whether to renovate a hotel property, we compare the quality and conditions of the physical property and facilities of a target property to a local competitive set of hotels and then estimate renovation costs to upgrade the property to a competitive quality standard based on its local market. If the purchase price and projected renovation costs are lower than the projected cost to acquire a comparable property of similar quality or the costs to develop a new property, it could be an attractive acquisition and renovation opportunity.

New hotel property management: we investigate hotel management at underperforming properties to assess whether we can realize strong returns on our investment by acquiring the properties at an attractive price and replace the property s manager with more highly qualified hotel managers. As part of our diligence efforts, we assess this potential through a review of the operating performance of the property and comparison with its local competitive set and industry standards. It could be indicative of poor management if based on this review the property underperforms or it is our belief that it could perform better.

Internal growth. We aggressively asset manage our hotel properties by employing value-added strategies (such as re-branding, renovation or changing hotel management) designed to improve the operating performance and value of our hotels. We do not operate our hotel properties, but engage reputable independent or brand management companies to operate our hotels. We structure our hotel management agreements to allow us to closely monitor the performance of our hotels and to ensure, among other things, that our third-party managers: (1) implement an approved business and marketing plan; (2) implement a disciplined capital expenditure program; and (3) establish and prudently spend appropriate furniture, fixtures and equipment reserves.

Financing policy and strategy. We expect to continue to borrow funds to supplement our investment capital and enhance our ability to acquire additional hotel properties, and target an overall debt level of up to 45% of the aggregate purchase prices of our hotel properties. On July 30, 2010, we closed a two-year, $115.0 million revolving credit facility with a lending syndicate. Our operating partnership is the borrower under the revolving credit facility, and we and certain of our indirect subsidiaries serve as guarantors. Affiliates of J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., Wells Fargo Securities, LLC and KeyBanc Capital Markets Inc. are lenders under our revolving credit facility. In addition, the affiliate of J.P. Morgan Securities LLC serves as syndication agent and the affiliate of Wells Fargo Securities, LLC is the administrative agent for the revolving credit facility. Amounts we borrow under the revolving credit facility (1) are secured by cross-collateralized, first mortgage liens on our existing hotel properties, and related equipment, fixtures, personal property and other assets; (2) may, in the future, be secured by other hotels we may acquire and include as collateral, if approved by our lenders; and (3) are fully recourse to us. Borrowings under the revolving credit facility bear interest at the rate of LIBOR + 3.75%, subject to a LIBOR floor of 2.00%. On July 30, 2010, we made an initial borrowing of $105.0 million under the revolving credit facility and used $102.3 million to fund the acquisitions of the Courtyard Anaheim at Disneyland Resort and the Boston Marriott Newton. For a more detailed description of the terms of the revolving credit facility, see Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources.

Beyond our revolving credit facility, we intend to supplement our investment capital through the use of other financing methods as appropriate, including but not limited to property mortgages, letters of credit and other arrangements, any of which may be unsecured or may be secured by mortgages or other interests in our assets. In addition, we may issue publicly or privately placed debt instruments. When possible and desirable, we will seek to replace short-term sources of capital with long-term financing.

Our indebtedness may be recourse or non-recourse and may be cross-collateralized. In addition, we may invest in properties subject to existing loans secured by mortgages or similar liens on our properties, or may refinance properties acquired on a leveraged basis. We may use the proceeds from any borrowings to acquire properties, refinance existing indebtedness, finance investments, or for general corporate purposes.

We 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 our ability to asset manage our properties;
- prepayment penalties and restrictions on refinancing;
- our long-term objectives with regard 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;
- our overall level of indebtedness;
- timing of debt maturities;
- provisions that require recourse and cross-collateralization;
- corporate credit ratios including but not limited to debt service coverage, debt to total market capitalization and debt to undepreciated assets; and
- overall ratio of fixed and variable rate debt.

Dividend and distribution policy. In September 2010, we declared our initial quarterly dividend in the amount of $0.20 per common share, payable on October 15, 2010 to each shareholder of record on September 30, 2010. We intend to continue to make regular quarterly distributions to holders of our common shares out of our earnings, in amounts necessary to maintain our REIT qualification, eliminate our taxable income and avoid the 4% excise tax on undistributed net income. In order to qualify as a REIT, we must distribute to our shareholders an amount at least equal to:

(i) 90% of our REIT taxable income (determined before deduction for dividends paid and excluding any net capital gains); plus

(ii) 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Internal Revenue Code; less

(iii) any excess non-cash income (as determined under Sections 856 through 860 of the Internal Revenue Code).

The amount, timing and frequency of distributions will be determined by our board of trustees based on a number of factors, including:

- actual results of operations;
- the timing of the investment of the proceeds of the offering;
- debt service requirements;
- capital expenditures requirements for our properties;
- our taxable income;

the annual distribution requirement under the REIT provisions of the Internal Revenue Code;

our operating expenses; and

other factors that our board of trustees may deem relevant.

The amount of cash available for distributions to our shareholders depends, in part, upon our receipt of distributions from our operating partnership which in turn may depend upon receipt of lease payments from our TRS and its subsidiaries, and upon the management of our properties by the various managers that our TRS and its subsidiaries have contracted with to operate our properties. In addition to the factors outlined above, the per share amounts of future distributions will depend on the number of our common and preferred shares outstanding from time-to-time. The terms of our revolving credit facility also limit our ability to make distributions to our shareholders. Under the terms of the revolving credit facility, provided no event of default thereunder has occurred, we may only make distributions to our shareholders so long as the payments, together with the previous such cash payments in the same fiscal year, are not in excess of the greater of (i) 90% of our funds from operations during such fiscal year and (ii) the amount required (on an annualized basis) for us to maintain our status as a REIT. Distributions to our shareholders will generally be taxable to our shareholders as ordinary income. Because our investment strategy is to acquire hotel properties, which will result in depreciation and 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 REIT status, we may retain any earnings that accumulate in our TRS. For more information on distributions, see Distribution policy.

Our hotel properties

We have acquired four hotel properties with aggregate purchase prices of approximately $260.3 million. The following table provides select operating information about our four hotels. The information for the periods presented generally precedes the dates of our acquisitions, except that the information for the six months ended June 30, 2010 reflects our acquisition of the Hyatt Regency Boston effective March 1, 2010 and our acquisition of the Hilton Checkers Los Angeles on June 1, 2010.

						For the Year Ended December 31, 2009			For the Six Months Ended June 30, 2010		
Property	**Location**	**Date of Acquisition**	**Year Opened or Most Recent Reno-vation**	**Number of Rooms**	**Purchase Price ($ in millions)**	**Occup-ancy(1)**	**ADR(2)**	**RevPAR(3)**	**Occu-pancy**	**ADR**	**RevPAR**
Hyatt Regency Boston	Boston, MA	March 18, 2010	2010	498	$112.0	82.2%	$161.41	$132.70	83.5%	$161.92	$135.19
Hilton Checkers Los Angeles	Los Angeles, CA	June 1, 2010	2009	188	$46.0	77.2%	$179.79	$138.73	81.9%	$177.73	$145.61
Courtyard Anaheim at Disneyland Resort	Anaheim, CA	July 30, 2010	2006	153	$25.0	76.0%	$108.95	$82.80	77.3%	$115.13	$88.96
Boston Marriott Newton	Newton, MA	July 30, 2010	2010	430	$77.3	62.7%	$135.31	$84.88	66.1%	$134.14	$88.60

(1) Occupancy is average daily occupancy.

(2) ADR is average daily rate.

(3) RevPAR is room revenue per available room.

Hyatt Regency Boston. In March 2010, we acquired the 498-room Hyatt Regency Boston in Boston, Massachusetts for a purchase price of $112.0 million, or approximately $225,000 per key. As part of the

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acquisition, we acquired an air rights contract which expires on September 11, 2079 and that requires no payments through maturity. Unless amended, modified or terminated by agreement with the city of Boston, upon expiry of the contract, we will be required to return the property to the city. The hotel is a 21-story, full-service, upper-upscale property with contemporary guestrooms and suites, as well as high-quality meeting and function spaces. It was built in 1985 and most recently renovated in 2010. Due to the recent renovations, we do not expect the property to require significant capital improvements or refurbishments over the next two years, although we intend to invest approximately $5 million to upgrade the presidential suite, create an additional junior suite and three additional guestrooms, and to complete certain upgrades to the lobby and public restrooms. We do not anticipate that any of these further upgrades will cause any disruptions to the operations or cash flows of the property.

Demand for the hotel is generated primarily by corporate transient, leisure and convention business relating to its location within Boston s Financial District and proximity to Boston s leading attractions and venues, including Boston Common, Faneuil Hall, the Theater District, Chinatown, the Freedom Trail, the Boston Convention and Exhibit Center and the Hynes Center. Primary competitor hotels include the Marriott Boston Long Wharf, Omni Parker House, Langham Hotel Boston, Intercontinental Boston and the Hilton Boston Financial District.

The hotel contains 17 conference and meeting rooms, including a 5,000 square foot grand ballroom, for a total of approximately 20,000 square feet of functional space. The hotel amenities also include an open-air restaurant, a full-service lounge, an indoor pool, a 24-hour fitness center, a business center and a gift shop.

The following table provides operating information about this property for the periods presented:

Hyatt Regency Boston	For the Year Ended December 31, 2008	For the Year Ended December 31, 2009	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2010
Hotel Revenue (in thousands)	$ 39,771	$ 33,357	$ 15,416	$ 16,415
ADR	$ 200.29	$ 161.41	$ 154.78	$ 161.92
Occupancy	79.6%	82.2%	79.8%	83.5%
RevPAR	$ 159.47	$ 132.70	$ 123.56	$ 135.19

Hilton Checkers Los Angeles. In June 2010, we acquired the 188-room Hilton Checkers Los Angeles in Los Angeles, California for a purchase price of $46.0 million, or approximately $245,000 per key. The 16-story hotel is a Four-Diamond, full-service, upper-upscale property recognized as the only deluxe, European-styled boutique property in the heart of the business and financial district of Los Angeles. It was built in 1927 and completed its most recent renovation in the first quarter of 2010. Due to the recent renovations, we do not expect the property to require significant capital improvements or refurbishments over the next two years.

Demand for the hotel is generated primarily by corporate transient business due to its location within the business and financial district and leisure business due to its proximity to attractions such as the L.A. Live complex, Walt Disney Concert Hall, Ahmanson Theater, Museum of Contemporary Art and Our Lady of the Angels Cathedral. Primary competitor hotels include the Marriott Downtown Los Angeles, the Sheraton Downtown Los Angeles, the Omni Hotel Los Angeles and the Downtown Los Angeles Standard.

The hotel contains a full service restaurant and lounge, approximately 4,000 square feet of meeting space, including a rooftop terrace, an outdoor pool and Jacuzzi, and a business center.

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The following table provides operating information about this property for the periods presented:

Hilton Checkers Los Angeles	For the Year Ended December 31, 2008	For the Year Ended December 31, 2009	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2010
Hotel Revenue (in thousands)	$ 14,888	$ 12,229	$ 6,149	$ 6,455
ADR	$ 205.63	$ 179.79	$ 189.56	$ 177.73
Occupancy	82.3%	77.2%	75.3%	81.9%
RevPAR	$ 169.15	$ 138.73	$ 142.65	$ 145.61

Courtyard Anaheim at Disneyland Resort. In July 2010, we acquired the 153-room Courtyard Anaheim at Disneyland Resort in Anaheim California for a purchase price of $25.0 million, or approximately $163,000 per key. The hotel is a select-service, upscale property with contemporary public spaces and guestrooms that include a market-friendly mix of children s suites with a private children s area and bunk beds, as well as conventional king and double-bedded queen rooms. It was built in 2006 and thus has required no significant renovations to-date, although we intend to invest approximately $800,000 over the next two years to complete the remodel of the lobby to the Marriott brand s new standard.

Demand for the hotel is generated primarily by leisure and convention business due to its walking distance to the Disneyland Resort and the Anaheim Convention Center. Primary competitor hotels include the Holiday Inn Express, Hilton Garden Inn, Portofino Inn & Suites, Marriott Suites, Residence Inn and Doubletree Suites.

The hotel amenities include a full-service restaurant with display kitchen, full-service lounge, open air business center, gift shop, health club, guest laundry facility, modest meeting space, a game room, outdoor heated pool, hot tub and children s pool.

The following table provides operating information about this property for the periods presented:

Courtyard Anaheim at Disneyland Resort	For the Year Ended December 31, 2008	For the Year Ended December 31, 2009	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2010
Hotel Revenue (in thousands)	$ 6,616	$ 5,427	$ 2,782	$ 2,852
ADR	$ 125.84	$ 108.95	$ 114.84	$ 115.13
Occupancy	80.6%	76.0%	74.6%	77.3%
RevPAR	$ 101.40	$ 82.80	$ 85.70	$ 88.96

Boston Marriott Newton. In July 2010, we acquired the 430-room Boston Marriott Newton in Newton, Massachusetts for a purchase price of approximately $77.3 million, or approximately $180,000 per key. The hotel is a seven-story, full-service, upper upscale, suburban property situated on scenic riverfront land along the Charles River. It was built in 1969 and most recently renovated in 2010. Due to the recent renovations, we do not expect the property to require significant capital improvements or refurbishments over the next two years.

Demand for the hotel is generated primarily by corporate and business transient guests as a result of its proximate location on the Route 128 high-technology corridor, group business resulting from the hotel having the largest meeting room capacity within the market and leisure travel to the greater Boston area. Primary competitor hotels include the Westin Waltham, the Doubletree Waltham, the Sheraton Needham, the Crowne Plaza Boston Newton and the Hotel Indigo Boston Newton.

The hotel contains 26 flexible meeting rooms and two ballrooms for a total of approximately 20,000 square feet of meeting space. Hotel amenities also include the Riverbend Lounge and Restaurant which overlooks the Charles River, a Starbucks® coffee shop, business center, Hertz® rental office, an indoor pool, a fitness center, and a gift shop.

The following table provides operating information about this property for the periods presented:

Boston Marriott Newton	For the Year Ended December 31, 2008	2009	For the Six Months Ended June 30, 2009	2010
Hotel Revenue (in thousands)	$ 28,949	$ 25,614	$ 13,427	$ 12,503
ADR	$ 158.81	$ 135.31	$ 140.20	$ 134.14
Occupancy	65.3%	62.7%	58.9%	66.1%
RevPAR	$ 103.70	$ 84.88	$ 82.63	$ 88.60

Our hotel operating agreements

The following are general descriptions of our management agreements, franchise agreements and lease agreements:

Management agreements

We have entered into management agreements with third parties to manage our hotels. Our hotel managers generally have sole responsibility and authority for the hotel s day-to-day operations and provide all managerial and other hotel employees, oversee operations and maintenance, prepare reports, budgets and projections and provide other administrative and accounting support services.

Our current management agreements generally provide for base management fees ranging from 2.0% to 4.0% of gross hotel revenues and incentive compensation if hotel operating income, as defined in the management agreements, exceeds certain performance thresholds. The incentive management fee is generally calculated as a percentage of hotel operating income after we have received a priority return on our investment in the hotel. The terms of our management agreements generally range from five to 20 years initially, with certain extension and renewal periods. In addition, we may, in certain circumstances, terminate each of the management agreements before the expiry of the initial term if the particular hotel fails to meet specified performance objectives, generally targeted levels of RevPAR and gross operating profit, for specified periods. In addition, certain management agreements impose conditions with respect to (i) mortgage loan financing and (ii) conveyances of the hotel or any interest therein to third parties.

Franchise agreements

We have entered into franchise agreements for certain of our hotel properties. We have a franchise agreement with Hilton Worldwide to operate the Hilton Checkers Los Angeles under the Hilton flag and franchise agreements with Marriott to operate the Courtyard Anaheim at

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Disneyland Resort under the Courtyard by Marriott flag and to operate the Boston Marriott Newton under the Marriott flag. We do not have a separate franchise agreement with Hyatt. Our management agreement with Hyatt for the Hyatt Regency Boston allows the hotel property to operate under the Hyatt Regency brand.

Under the franchise agreements, we generally pay royalty fees ranging from 4% to 6% of room revenues and 1% to 3% of food and beverage revenues, plus additional fees for marketing, central reservation systems, and other franchisor costs that amount to between 1% and 5% of room revenues. The franchise agreements specify certain management, operational, recordkeeping, accounting, reporting and marketing standards and procedures with which we must comply. The agreements also obligate us to comply with the franchisor s standards and requirements with respect to training of operational personnel, safety, maintaining specified insurance, the types of services and products ancillary to guest room services that may be provided by us, display of signs, and the type, quality and age of furniture, fixtures and equipment included in guest rooms, lobbies and other common areas. In addition, certain franchise agreements impose conditions with respect to (i) mortgage loan financing and (ii) conveyances of the hotel or any direct or indirect interest therein to third parties.

Lease agreements

Our lease agreements are inter-company agreements between our property-owning subsidiaries and our TRS lessees. These agreements generally contain customary terms for third-party lease agreements, including customary terms regarding lease payments and other expenses.

Acquisition and asset management process

We implement a disciplined acquisition and asset management process that involves significant attention from our senior executives at each step along the way.

Step 1: Origination and screening

We identify investment opportunities through the extensive network of relationships that our senior executives have established in the lodging and hospitality industries, including contacts with independent hotel managers, global hotel brands, hotel brokers, financiers, institutional investors and other key industry participants. In addition, we may learn of additional opportunities through our sourcing agreement with Hyatt.

Following our initial contacts with potential sellers or their agents, we screen the potential acquisition target by preparing a desktop pro forma and return analysis. In this step, we compare the value of the targeted asset to our estimate of replacement cost. In addition, we prepare summary projections and also project the internal rates of return we might be able to realize on the asset over five and 10 year investment hold periods on a leveraged and unleveraged basis. Only if the targeted asset meets our then-current investment parameters, which are established by our senior executive officers and periodically reviewed by our board of trustees, do we proceed to Step 2 of our acquisition process.

Step 2: Initial due diligence and investment analysis

Once we identify a prospective investment, we employ detailed financial modeling and analysis to assess the projected RevPAR and cash flow generation capabilities of the property as well as evaluate any debt service coverage characteristics if the property will be encumbered by existing

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debt. We focus our analysis on current and projected cash flows and potential risks to cash flow, such as those associated with occupancy and ADR concerns. We also perform extensive market and property-level due diligence. The market research incorporates analysis of market demographics, key fundamentals, such as expected employment growth and population growth, comparable transactions and the competitive landscape. Our property-level analysis focuses on detailed revenue and expense projections as well as the projected capital needs of the hotel, including any related property improvement plan required by the existing or contemplated brand under which the hotel will operate following the acquisition. In cases where this analysis identifies the need to make significant capital investments in the property, we engage third parties to conduct an engineering review and perform other work necessary to prepare a detailed assessment of the costs to renovate and operate the hotel.

In structuring prospective investments, we evaluate the impact of the transaction on our broader capital structure. We also set out a clear path to establish the optimal management, franchising and branding relationships at the outset of our ownership of a particular property.

Step 3: Board approval

Upon completion of our preliminary due diligence and a favorable decision by our senior executive officers to proceed with an investment, we present the investment opportunity to our board of trustees. We do not acquire any hotel properties or make any investments without board approval. In discussing proposed transactions with our board, our senior executives present the board with an analysis of each target property that provides an in-depth overview of the targeted asset, due diligence conducted, key financial metrics and analyses related to the property and the market in which it is located, as well as investment considerations and potential risk mitigants. Only after we receive board approval do we put money at risk in the form of a non-refundable deposit on a particular hotel property.

Step 4: Confirmatory due diligence / Closing process

As part of the closing process, we work with outside legal counsel to complete legal due diligence (including title and insurance review) and document each investment. As is typical for hotel acquisitions, we engage third-party advisors and/or consultants to conduct an environmental review of the collateral and provide a Property Condition Report and Phase 1 Environmental Assessment. We do not proceed with any acquisition opportunity unless the results of these reviews are satisfactory to us.

Step 5: Asset management

After acquiring hotels, we aggressively asset manage them through value-added strategies, such as re-branding, renovating or changing hotel management as we determine necessary to increase the operating results and value of our hotel property investments. We generally reassess the status of each hotel in our portfolio not less than quarterly to ensure that our current operating strategy maximizes our returns on investment from the asset.

For the income from our hotel operations to constitute rents from real property for purposes of the gross income test required for REIT qualification, we are required to lease each of our hotels to our TRS, which is wholly owned by our operating partnership. Our TRS pays rent to us that can qualify as rents from real property, provided that the TRS engages an eligible independent contractor to manage our hotels. Accordingly, in connection with each acquisition, our TRS engages a qualified hotel management company to manage each hotel. We structure

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our hotel management agreements to allow us to closely monitor the performance of our hotels and to ensure, among other things, that our managers: (1) implement an approved business and marketing plan, (2) implement a disciplined capital expenditure program and (3) establish and prudently spend appropriate furniture, fixtures and equipment reserves.

Hotel industry segments

Smith Travel Research, Inc. classifies the hotel industry into the following chain scales, as determined by each brand s average system-wide daily rates: luxury, upper-upscale, upscale, midscale with food and beverage, midscale without food and beverage, and economy. The following chart presents an overview of some of the representative brands in each of the segments of the lodging sector:

Luxury	**Upper-upscale**	**Upscale**	**Midscale with F&B**	**Midscale w/o F&B**	**Economy**
Four Seasons®	Andaz®	Courtyard by Marriott®	Best Western®	Candlewood Suites®	Days Inn®
Inter-Continental®	Doubletree®	Crowne Plaza®	Holiday Inn®	Comfort Inn®	Econo Lodge®
Ritz Carlton®	Embassy Suites®	Hilton Garden Inn®	Howard Johnson®	Country Inn & Suites®	Extended Stay America®
St. Regis®	Grand Hyatt®	Hyatt Place®	Quality Inn®	Fairfield Inn®	Motel 6®
W Hotels®	Hilton®	Radisson®	Ramada®	Hampton Inn®	Red Roof Inn®
Waldorf-Astoria®	Hyatt®	Residence Inn®	Wyndham Garden®	Holiday Inn Express®	Super 8®
Park Hyatt®	Hyatt Regency®	Wyndham Hotels®		TownePlace Suites®	Travelodge®
	Marriott®				
	Sheraton®				
	Westin®				

Full-service hotels are generally with a restaurant, lounge facilities and meeting space as well as minimum service levels often including bell service and room service. Select-service hotels have limited food and beverage outlets and do not offer comprehensive business or banquet facilities, but rather are suited to serve smaller business meetings. Extended-stay hotels are hotels generally designed to accommodate guests staying for extended periods of time and typically provide rooms with fully equipped kitchens, entertainment systems, office spaces with computer and telephone lines, access to fitness centers and other amenities.

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Top 25 metropolitan statistical areas

MSAs are defined by the U.S. Office of Management and Budget as one or more adjacent counties or county equivalents that have at least one urban core area of at least 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties. According to the U.S. Census Bureau, the following comprise the top 25 MSAs by population size as of July 1, 2009, the latest date for which data is available.

1. New York-Northern New Jersey-Long Island, NY-NJ-PA
2. Los Angeles-Long Beach-Santa Ana, CA
3. Chicago-Naperville-Joliet, IL-IN-WI
4. Dallas-Fort Worth-Arlington, TX
5. Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
6. Houston-Sugar Land-Baytown, TX
7. Miami-Fort Lauderdale-Pompano Beach, FL
8. Washington-Arlington-Alexandria, DC-VA-MD-WV
9. Atlanta-Sandy Springs-Marietta, GA
10. Boston-Cambridge-Quincy, MA-NH
11. Detroit-Warren-Livonia, MI
12. Phoenix-Mesa-Glendale, AZ
13. San Francisco-Oakland-Fremont, CA
14. Riverside-San Bernardino-Ontario, CA
15. Seattle-Tacoma-Bellevue, WA
16. Minneapolis-St. Paul-Bloomington, MN-WI
17. San Diego-Carlsbad-San Marcos, CA
18. St. Louis, MO-IL
19. Tampa-St. Petersburg-Clearwater, FL
20. Baltimore-Towson, MD
21. Denver-Aurora-Broomfield, CO
22. Pittsburgh, PA
23. Portland-Vancouver-Hillsboro, OR-WA
24. Cincinnati-Middletown, OH-KY-IN
25. Sacramento--Arden-Arcade--Roseville, CA

Legal proceedings

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

Competition

We believe that competition for the acquisition of hotels is highly fragmented. We face competition from institutional pension funds, private equity investors, other REITs and numerous local, regional and national owners, including franchisors, in each of our markets. Some of these entities may have substantially greater financial resources than we do and may be able and willing to accept more risk than we can prudently manage. Competition generally may increase the bargaining power of property owners seeking to sell and reduce the number of suitable investment opportunities offered to us.

The hotel industry is highly competitive. Our hotels compete with other hotels for guests in each market in which we operate. Competitive advantage is based on a number of factors, including location, convenience, brand affiliation, room rates, range of services and guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual markets in which our hotels are located and includes competition from existing and new hotels operated under brands in the relevant segments. Increased competition could harm our occupancy, ADR and RevPAR, or may require us to provide additional amenities or make capital improvements that we otherwise would not have to make, which may reduce our profitability.

Regulation

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

Americans with Disabilities Act

Our properties must comply with Title III of the ADA to the extent that such properties are public accommodations as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance, and one or more properties may not be fully compliant with the ADA. Noncompliance with the ADA could result in the incurrence of additional costs to attain compliance. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental matters

Our hotels are subject to various U.S. federal, state and local environmental laws that impose liability for contamination. Under these laws, governmental entities have the authority to require us, as the current owner of property, to perform or pay for the clean up of contamination (including hazardous substances, waste or petroleum products) at, on, under or emanating from the property and to pay for natural resource damages arising from such contamination. Such laws often impose liability without regard to whether the owner or operator or other responsible party knew of, or caused such contamination, and the liability may be joint and several. Because these laws also impose liability on persons who owned a property at the time it became contaminated, it is possible we could incur cleanup costs or other environmental liabilities even after we sell properties. Contamination at, on, under or emanating from our properties also may expose us to liability to private parties for costs of remediation and/or personal injury or property damage. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. If contamination is discovered on our properties, environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Moreover, environmental contamination can affect the value of a property and, therefore, an owner s ability to borrow funds using the property as collateral or to sell the property on favorable terms or at all. Furthermore, persons who sent waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

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Some of our properties may have contained historic uses which involved the use and/or storage of hazardous chemicals and petroleum products (*e.g.*, storage tanks, gas stations, dry cleaning operations) which, if released, could have impacted our properties. In addition, some of our properties may be near or adjacent to other properties that have contained or currently contain storage tanks containing petroleum products or conducted or currently conduct operations which utilize other hazardous or toxic substances. Releases from these adjacent or surrounding properties could impact our properties.

Independent environmental consultants have conducted Phase I environmental site assessments on all of the properties in our initial portfolio and we intend to conduct Phase I environmental site assessments on properties we acquire in the future. Phase I site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or an asbestos survey. None of the existing Phase I site assessments revealed any past or present environmental condition that we believe would have a material adverse effect on our business, assets or results of operations. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

In addition, our hotels are subject to various federal, state, and local environmental, health and safety regulatory requirements that address a wide variety of issues, including, but not limited to, storage tanks, air emissions from emergency generators, storm water and wastewater discharges, lead-based paint, mold and mildew, and waste management. Some of our hotels routinely handle and use hazardous or regulated substances and wastes as part of their operations, which are subject to regulation (*e.g.*, swimming pool chemicals or biological waste). Our hotels incur costs to comply with these environmental, health and safety laws and regulations and could be subject to fines and penalties for non-compliance with applicable laws. However, we are aware of no past or present environmental liability for non-compliance with environmental laws that we believe would have a material adverse effect on our business, assets or results of operations.

Certain hotels we currently own or those we acquire in the future contain, may contain, or may have contained, asbestos-containing material, or ACM. Environmental, health and safety laws require that ACM be properly managed and maintained, and include requirements to undertake special precautions, such as removal or abatement, if ACM would be disturbed during maintenance, renovation, or demolition of a building. Such laws regarding ACM may impose fines and penalties on building owners, employers and operators for failure to comply with these requirements or expose us to third-party liability. However, we manage such ACM under asbestos operations and maintenance plans, which we have developed and implemented at each of our properties where there is known ACM or for which suspected ACM is present.

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. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants, such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse

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health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from third parties if property damage or personal injury occurs. We are not presently aware of any indoor air quality issues at our properties that could result in a material adverse effect on our business, assets or results of operations.

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Management s discussion and analysis of financial condition and results of operations

You should read the following discussion in conjunction with the sections of this prospectus entitled Risk factors, Cautionary note regarding forward-looking statements, Our business and our audited and unaudited financial statements, and the related notes thereto 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 the state of Maryland in June 2009. We focus our investments primarily in upper-upscale hotels in major business, airport and convention markets and, on a selective basis, premium select-service hotels in urban settings or unique locations in the United States of America. In January 2010, we completed our IPO. In conjunction with the IPO, we sold additional common shares through private placements and through the exercise of the underwriters overallotment option. The total net proceeds (after deducting initial and deferred underwriting fees and offering costs) generated from the IPO, private placements and the exercise of the underwriters overallotment option was approximately $169.4 million.

We have invested all of the proceeds from our IPO and private placements through the acquisitions of the following four hotel properties with an aggregate of 1,269 rooms:

Hotel Property	Location	Rooms	Acquisition Date
Hyatt Regency Boston	Boston, MA	498	March 18, 2010
Hilton Checkers Los Angeles	Los Angeles, CA	188	