

Chesapeake Lodging Trust
Form 424B5
September 12, 2012

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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration File No. 333-183280

Subject to Completion. Dated September 12, 2012.

Chesapeake Lodging Trust

5,500,000 Shares

Common Shares of Beneficial Interest

We are offering and selling 5,500,000 of our common shares of beneficial interest, par value \$0.01 per share, which we refer to as common shares. We will receive all of the net proceeds from the sale of our common shares.

Our common shares are listed on the New York Stock Exchange, or the NYSE, under the symbol CHSP. The last reported sale price of our common shares on the NYSE on September 11, 2012 was \$19.01 per share.

We are organized and conduct our operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes. To assist us in qualifying as a REIT, among other reasons, ownership of our outstanding common shares by any person is limited to 9.8% by value or number of shares, whichever is more restrictive, subject to certain exceptions. In addition, our Declaration of Trust contains various other restrictions on the ownership and transfer of our common shares and other shares of beneficial interest.

Investing in our common shares involves certain risks. See Risk Factors on page S-7 and in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission on February 24, 2012.

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

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

We have granted the underwriters an option to purchase up to 825,000 additional common shares exercisable, in whole or in part, at any time until 30 days after the date of this prospectus supplement.

Delivery of the common shares will be made on or about September , 2012.

Deutsche Bank Securities

Prospectus Supplement dated September , 2012.

J.P. Morgan

Wells Fargo Securities

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein and therein. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control. In addition, any statement in a filing we make with the Securities and Exchange Commission, or SEC, that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

You should read this document together with additional information described under the headings "Where You Can Find More Information" and "Incorporation of Certain Information by Reference" in this prospectus supplement. You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the SEC. Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement and the accompanying prospectus, as well as the information we have previously filed with the SEC and incorporated by reference in this document, is accurate only as of its date or the date which is specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those respective dates.

References in this prospectus supplement to Chesapeake, we, us, our or the Trust are to Chesapeake Lodging Trust and its subsidiaries, including Chesapeake Lodging, L.P., which we refer to as our operating partnership. The term you refers to a prospective investor.

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This summary highlights selected information from this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. It does not contain all of the information that may be important to you. We encourage you to carefully read this entire prospectus supplement, the accompanying prospectus, and the documents incorporated by reference, especially the Risk Factors section on page S-7 and in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 24, 2012, before making an investment decision. Unless otherwise indicated, information presented in this prospectus supplement assumes no exercise of the underwriters option to purchase additional common shares in connection with the offering.

Overview

We are a self-advised REIT focused on investments in primarily upper-upscale hotels in major business and convention markets and, on a selective basis, premium select-service hotels in urban settings or unique locations in the U.S. We believe industry dynamics since our inception have created and will continue to create attractive opportunities to acquire high-quality hotels, at prices below replacement costs, with attractive yields on investment and significant upside potential. We were organized in June 2009, completed our initial public offering, or IPO, in January 2010 and have since acquired or committed to acquire the following 15 hotels:

Hotel	Location	Rooms	Acquisition Date
Hyatt Regency Boston	Boston, MA	502	March 18, 2010
Hilton Checkers Los Angeles	Los Angeles, CA	188	June 1, 2010
Courtyard Anaheim at Disneyland Resort	Anaheim, CA	153	July 30, 2010
Boston Marriott Newton	Newton, MA	430	July 30, 2010
Le Meridien San Francisco	San Francisco, CA	360	December 15, 2010
Homewood Suites Seattle Convention Center	Seattle, WA	195	May 2, 2011
W Chicago City Center	Chicago, IL	368	May 10, 2011
Hotel Indigo San Diego Gaslamp Quarter	San Diego, CA	210	June 17, 2011
Courtyard Washington Capitol Hill/Navy Yard	Washington, DC	204	June 30, 2011
Hotel Adagio	San Francisco, CA	171	July 8, 2011
Denver Marriott City Center	Denver, CO	613	October 3, 2011
Holiday Inn New York City Midtown 31st Street	New York, NY	122	December 22, 2011
W Chicago Lakeshore	Chicago, IL	520	August 21, 2012
Hyatt Regency Mission Bay Spa and Marina	San Diego, CA	429	September 7, 2012
Hyatt Place New York Midtown South	New York, NY	185	Under contract

4,650

Substantially all of our assets are held by, and all of our operations are conducted through, Chesapeake Lodging, L.P., our operating partnership. In order for us to qualify as a REIT, neither the Trust nor the operating partnership can operate hotels directly. Therefore, the operating partnership leases its hotels to a wholly owned, taxable REIT subsidiary, or TRS, that, in turn, engages hotel management companies to operate our hotels pursuant to management agreements.

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Our corporate office is located at 1997 Annapolis Exchange Parkway, Suite 410, Annapolis, Maryland 21401. Our telephone number is (410) 972-4140. We maintain an Internet site, www.chesapeakelodgingtrust.com, which contains additional information concerning Chesapeake Lodging Trust. Information on our Internet site is neither part of nor incorporated into this prospectus supplement or the accompanying prospectus.

Recent Developments

The following is a summary of recent developments in our financial condition and business.

Recent Acquisitions

W Chicago Lakeshore

On August 21, 2012, we acquired the 520-room W Chicago Lakeshore located in Chicago, Illinois for a purchase price of \$126.0 million, or approximately \$242,000 per key. We funded the acquisition with available cash on hand and a borrowing under our revolving credit facility. In connection with the acquisition, we entered into a long-term management agreement with Starwood Hotels & Resorts Worldwide, Inc. to continue operating the hotel under its current W® franchise flag.

The W Chicago Lakeshore is a 32-story, full-service, luxury property with 520 rooms, including 42 suites featuring stunning views of Lake Michigan. The property features one three-meal restaurant, two full-service bars, including the roof top Whiskey Sky, a 9,600 square foot spa, a SWEAT® state-of-the-art fitness center and over 12,000 square feet of meeting and event space. The property is also the closest hotel to the Navy Pier and within walking distance of East Michigan Avenue and Chicago's business districts. Shortly after the acquisition, we began the planning process to execute a \$35 million to \$38 million comprehensive renovation of the property, which is expected to commence in the fourth quarter of 2013.

Hyatt Regency Mission Bay Spa and Marina

On September 7, 2012, we acquired a leasehold interest in the 429-room Hyatt Regency Mission Bay Spa and Marina, located in San Diego, California for a purchase price of \$62.0 million, or approximately \$144,500 per key. The leasehold interest is pursuant to a lease with the City of San Diego, which has approximately 43 years remaining. We funded the acquisition with available cash on hand and a borrowing under our revolving credit facility. In connection with the acquisition, we assumed the existing management agreement with Hyatt Hotels Corporation.

The Hyatt Regency Mission Bay Spa and Marina includes many unique service elements on its 19 acres of prominent waterfront footprint. The hotel's 429 rooms include 137 large suites among its four guestroom buildings, with the remaining rooms averaging a generous 400 square feet. The property features a 187 slip marina, the full-service Blue Marble spa, multiple food and beverage outlets including the award winning Red Marlin with 360-degree bay views, three lagoon shaped pools each with its own 120-foot water slide, exclusive water boat taxi service to Sea World's private VIP entrance, and over 37,000 square feet of meeting space.

Potential Future Acquisitions

In addition to the hotel we have under contract, we have identified and are in various stages of reviewing and negotiating additional potential hotel acquisition opportunities, and we expect

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to be able to deploy or commit the net proceeds of the offering within the next 90-120 days. We cannot assure you that we will be able to acquire any of the hotels we are currently evaluating, which could delay the deployment of some or all of the net proceeds of the offering. Any acquisition would require us to negotiate and execute a mutually acceptable definitive and binding purchase and sale agreement with the seller of a property, which we expect will contain a number of conditions to closing the acquisitions, including:

our ability to negotiate and execute new management agreements and franchise agreements, or assume the existing agreements, for the properties;

our completion of satisfactory due diligence with respect to the properties; and

satisfaction of customary closing conditions including, where applicable, lender approval of our assumption of existing debt secured by the hotel.

Quarterly Dividend

On August 13, 2012, our board of trustees declared a cash dividend of \$0.22 per common share. The dividend will be paid on October 15, 2012 to shareholders of record at the close of business on September 28, 2012. Purchasers of shares in this offering will receive this dividend, to the extent they continue to hold their shares as of the close of business on September 28, 2012.

Ongoing Renovations and Return-On-Investment Projects

We continue to proactively asset manage our current hotel portfolio and invest in select return-on-investment projects to generate strong internal growth. The renovation and repositioning at our Hotel Adagio was recently completed and involved a full redesign of guestrooms, lobby, lounge, restaurant and meeting space. At our Hyatt Regency Boston, we recently completed the addition of four guestrooms and a new executive suite and a renovation of the presidential suite, registration lobby, lobby bar and meeting space. Also, the ongoing addition of 35 rooms to the top two vacant floors of our W Chicago City Center is expected to be completed in the fourth quarter of 2012.

We are also in the process of planning and executing capital projects at certain other hotels, including the following:

W Chicago Lakeshore: Comprehensive renovation encompassing guestrooms, public spaces, restaurant, rooftop bar and meeting space, expected to commence in the fourth quarter of 2013.

Le Meridien San Francisco: Lobby repositioning, including expanded bar operation, and upgrades to meeting space and restaurant, expected to be completed in the fourth quarter of 2012.

Denver Marriott City Center: Restaurant, lobby lounge and meeting space renovation, and addition of 5,000 square feet of meeting space, expected to be completed in the second quarter of 2013.

Hilton Checkers Los Angeles: Creation of premiere penthouse suite and addition of three guest rooms, expected to be completed in the fourth quarter of 2012.

Hotel Indigo Gaslamp Quarter San Diego: Creation of a rooftop bar, expected to be completed in the fourth quarter of 2012.

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Holiday Inn New York City Midtown 31st Street: Creation of a rooftop bar and upgrades to the registration lobby, expected to be completed in the fourth quarter of 2012.

Hyatt Regency Mission Bay Spa and Marina: Renovation consisting primarily of a refresh of the lobby, guestrooms and restaurant, expected to commence in the second quarter of 2013.

Financing Activity

On July 3, 2012, we entered into a loan agreement with an affiliate of Wells Fargo Securities, LLC, an underwriter of this offering, for a \$60.0 million loan, of which (1) \$25.0 million was advanced by the lender upon the closing on the loan on July 3, 2012 and is secured by the Holiday Inn New York City Midtown 31st Street and (2) \$35.0 million will be advanced by the lender upon the closing on our acquisition of the Hyatt Place New York Midtown South and satisfaction of customary closing conditions. Following that subsequent closing, the entire \$60.0 million principal amount of the loan will be secured by both hotels. The \$60.0 million loan has a term of two years commencing upon the initial closing on the loan, subject to three one-year extensions that may be exercised subject to certain customary conditions, and bears interest equal to LIBOR plus 3.25%. In connection with the initial closing on the loan, we entered into an interest rate swap to effectively fix the interest rate on the initial \$25 million advance for the original two-year term at 3.75% per annum. We also expect to enter into an interest rate swap to fix the interest rate on the subsequent \$35 million advance over the remaining term of the loan. In connection with the initial closing on the loan, we paid the lender customary closing fees and used the net proceeds to repay outstanding borrowings under our revolving credit facility and for general corporate purposes.

On July 17, 2012, we closed the public offering of 5,000,000 7.75% Series A Cumulative Redeemable Preferred Shares, or Series A Preferred Shares. Through the offering, we generated net proceeds of \$120.6 million after deducting the underwriting discount and offering expenses. We used the net proceeds of the offering to repay outstanding borrowings under our revolving credit facility and for general corporate purposes.

On July 27, 2012, we closed on a \$70.0 million fixed-rate mortgage loan provided by Western National Life Insurance Company and secured by the 613-room Denver Marriott City Center. Under the terms of the loan agreement, the loan has a term of 30 years but is callable by the lender after 10 years, and we expect the lender to call the loan promptly at 10 years. The loan carries a fixed interest rate of 4.90% per annum, with principal and interest payments calculated based on a 30-year amortization. The net proceeds from the loan were used to repay outstanding borrowings under our revolving credit facility and for general business purposes.

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The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of our common shares, see Description of Common Shares in the accompanying prospectus.

Issuer	Chesapeake Lodging Trust.
Common shares offered	5,500,000 shares.
Common shares to be outstanding after this offering	37,633,386 shares.
Use of proceeds	We intend to contribute the net proceeds from this offering to our operating partnership which, in turn, will use the net proceeds to repay outstanding borrowings under our revolving credit facility, which amounted to \$135.0 million as of September 11, 2012. Our operating partnership will invest any remaining net proceeds, together with the available borrowing capacity under our revolving credit facility, in hotels in accordance with our investment strategy and for general business purposes. Prior to the full investment of any remaining net proceeds in hotels, we intend to invest the 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 hotels. See Use of Proceeds.
Distribution policy	As a result of the strong operating performance and limited capital needs of our existing portfolio, we have declared and paid eight consecutive quarterly dividends on our common shares, and in 2012 increased the amount of our quarterly dividend payment to \$0.22 per share. We intend 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 TRSs, and, in turn, upon the management of our properties by the various managers our TRSs have engaged to operate our hotels. In addition to the factors outlined above, the per

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share amounts of future distributions will depend on the number of our common and preferred shares outstanding from time-to-time. As of the date of this offering, 5,000,000 of our Series A Preferred Shares are outstanding, and our common shares rank junior to our Series A Preferred Shares with respect to payment of dividends.

Listing	Our common shares are listed on the NYSE under the symbol CHSP.
Restrictions on ownership	To assist us in maintaining our qualification as a REIT, our Declaration of Trust provides that no person, other than a person that has received an exemption, may own directly or indirectly, or be deemed to own by virtue of certain attribution provisions of the Internal Revenue Code, more than 9.8%, in value or number of shares, whichever is more restrictive, of the outstanding common shares. For more information, see Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer Applicable to Our Shares of Beneficial Interest on page 11 of the accompanying prospectus.
Tax consequences	The federal income tax consequences of purchasing, owning and disposing of our common shares are summarized in Material U.S. Federal Income Tax Considerations in our Current Report on Form 8-K filed with the SEC on March 1, 2012.
Settlement date	Delivery of the common shares will be made against payment therefor on or about September , 2012.
Transfer agent	The transfer agent for our common shares is American Stock Transfer & Trust Company, LLC.
Conflicts of Interest	As described in Use of Proceeds, we expect to contribute the net proceeds from this offering to our operating partnership, which will use the net proceeds to repay borrowings outstanding under our revolving credit facility. Affiliates of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Wells Fargo Securities, LLC and certain other prospective members of the underwriting syndicate are lenders under our revolving credit facility and will receive a pro rata portion of the net proceeds used to repay debt outstanding on our revolving credit facility. See Underwriting (Conflicts of Interest).
Risk Factors	See Risk Factors on page S-7 and in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 24, 2012 and incorporated by reference into this prospectus supplement, for other information you should consider before buying our common shares.
The number of common shares to be outstanding after this offering is based on 32,133,386 common shares outstanding as of September 11, 2012.	

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RISK FACTORS

You should carefully consider the risks described below and the risks described under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 24, 2012 before making an investment decision. You should also refer to the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and the related notes incorporated by reference into this prospectus supplement and the accompanying prospectus. The risks and uncertainties described below and in the documents incorporated by reference herein are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If certain of the risks described in the risk factors incorporated by reference herein actually occur, our business, results of operations and financial condition would suffer. In that event the trading price of our common shares could decline, and you may lose all or part of your investment. The risk factors incorporated by reference herein and discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements and Projections."

Future issuances or sales of our common shares may depress the price of these securities.

We cannot predict whether future issuances of our common shares or the availability of common shares for future sale will decrease the market price of these shares. Future issuances or sales of a substantial number of our common shares in the public market (including shares issued to our trustees and officers), or the perception that such issuances or sales might occur, may cause the market price of our shares to decline.

Each of our executive officers and trustees has agreed that, for a period of 60 days after the date of this prospectus supplement and subject to certain exceptions, he will not directly or indirectly, without the prior written consent of the representatives of the underwriters, sell or otherwise dispose of any common shares. We have entered into a similar agreement with the representatives, but our agreement will not apply in respect of common shares we may issue under our existing equity incentive plan. At any time, the representatives may release all or a portion of the common shares subject to the foregoing lock-up provisions. If the restrictions under such agreements are waived, the affected common shares may be available for sale into the market, which could reduce the market price for our common shares.

In addition, we may issue from time to time additional common shares or limited partnership interests in our operating partnership that are exchangeable for common shares in connection with the acquisition of properties, and we may grant demand or piggyback registration rights in connection with these issuances. The issuance of our common shares or operating partnership units in connection with property, portfolio or business acquisitions may be dilutive to existing shareholders, may adversely affect the prevailing market price for our common shares, and may impair our ability to raise capital through a sale of additional equity securities.

Our common shares rank junior to our Series A Preferred Shares.

Our common shares rank junior to our Series A Preferred Shares with respect to dividends and upon dissolution. In certain circumstances, following a change of control of the Trust, holders of our Series A Preferred Shares will be entitled to convert their Series A Preferred Shares into common shares, subject to our option to redeem the Series A Preferred Shares for cash at \$25.00 per share plus accrued and unpaid dividends. For more information, see "Description of Shares of Beneficial

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Interest Preferred Shares of Beneficial Interest on page 8 of the accompanying prospectus. Holders of our common shares are not entitled to preemptive rights or other protections against dilution. In addition to this offering, we may in the future attempt to increase our capital resources by making additional offerings of equity securities, including additional classes or series of preferred shares, which would likely have preferences with respect to dividends or upon dissolution that are senior to our common shares. Because our decision to issue 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 any future offerings. Thus, our common shareholders bear the risk of our future offerings reducing the per share trading price of our common shares and diluting their interest in us.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, could, intends, projects, contemplates, believes, estimates, predicts, potential or continue or the negative of these terms or other similar words. These are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause the Trust's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. The Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business sections of our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 24, 2012, as well as other disclosures included or incorporated by reference into this prospectus supplement, discuss some of the factors that could contribute to these differences, including, but not limited to:

our ability to qualify and maintain 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 markets in which we operate, interest rates or the general U.S. or international economy;

economic trends and economic recoveries; and

the degree and nature of our competition.

The forward-looking statements made in this prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein and therein relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law.

This prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein and therein also contain market data related to our business and industry. This market data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results may differ from the projections based on these assumptions. As a result, our markets may not grow at the rates projected by these data, or at all. The failure of these markets to grow at these projected rates may have a material adverse effect on our business, financial condition, results of operations and the market price of our securities.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discount and estimated offering costs, will be approximately \$100.1 million, assuming a public offering price per share of \$19.01, the last reported sale price of our common shares on the NYSE on September 11, 2012. If the underwriters' option to purchase additional common shares is exercised in full, our net proceeds from this offering will be approximately \$115.2 million, assuming a public offering price per share of \$19.01. We will contribute the net proceeds of this offering to our operating partnership which, in turn, will use the net proceeds to repay borrowings outstanding under our revolving credit facility.

As of June 30, 2012, we had \$158.0 million outstanding under our revolving credit facility. As of September 11, 2012, we had \$135.0 million outstanding under the facility after giving effect to the hotel acquisitions and repayments of borrowings outstanding described above under Prospectus Supplement Summary Recent Developments. Our revolving credit facility matures on October 14, 2014, allowing for a one-year extension subject to certain conditions. Amounts borrowed under our revolving credit facility bear interest at a rate of LIBOR plus 2.75% 3.75%, with the spread over LIBOR based on our consolidated leverage ratio. As of September 11, 2012, the interest rate on borrowings under our revolving credit facility was 3.50% and our maximum borrowing capacity under the facility was \$164.5 million based on the hotels included in its borrowing base at that time. As described above, we intend to use the net proceeds to repay borrowings outstanding under our revolving credit facility. Affiliates of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Wells Fargo Securities, LLC and certain other prospective members of the underwriting syndicate 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. Accordingly, such affiliates will receive their proportionate share of any amount outstanding under our revolving credit facility that is repaid with the net proceeds of this offering. In addition, on July 3, 2012, we entered into a loan agreement with an affiliate of Wells Fargo Securities, LLC, an underwriter for this offering, for a \$60 million loan. See Underwriting (Conflicts of Interest).

After repaying borrowings outstanding under our revolving credit facility, our operating partnership will use any remaining net proceeds, together with the available borrowing capacity under our revolving credit facility, to invest in hotels in accordance with our investment strategy and for general business purposes. Prior to the full investment of any remaining net proceeds in hotels, 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 hotels.

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The following table sets forth our capitalization as of June 30, 2012:

on an actual basis;

on a pro forma basis, adjusted to reflect (i) borrowings made under our revolving credit facility in connection with the acquisitions of the W Chicago - Lakeshore and the Hyatt Regency Mission Bay Spa and Marina, (ii) the issuance of our Series A Preferred Shares and the repayment of borrowings under our revolving credit facility in connection therewith, and (iii) the application of the net proceeds to us from the initial \$25.0 million advance we received under our \$60.0 million term loan with an affiliate of Wells Fargo Securities, LLC, and the \$70.0 million fixed-rate mortgage loan provided by Western National Life Insurance Company; and

on a pro forma, as adjusted, basis, to reflect the offering of 5,500,000 our common shares, after deducting the underwriting discount and our estimated offering expenses, and the application of the estimated net proceeds of approximately \$100.1 million as described in Use of Proceeds in this prospectus supplement.

You should read this table in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011 and our audited financial statements and related notes for the year ended December 31, 2011 included therein, and in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and the unaudited financial statements and related notes for the quarter ended June 30, 2012 included therein.

As of June 30, 2012	Historical	Pro forma (Unaudited, in thousands)		Pro forma as adjusted
Cash and cash equivalents	\$ 19,908	\$ 23,761	(1)	\$ 23,761
Long-term debt	419,658	491,658	(2)	391,535(2)
Shareholders' equity:				
Preferred shares, \$.01 par value; 100,000,000 shares authorized; no shares (historical) and 5,000,000 shares (pro forma and pro forma as adjusted) issued and outstanding, respectively		50	(3)	50
Common shares, \$.01 par value; 400,000,000 shares authorized; 32,133,386 shares (historical and pro forma) and 37,633,386 shares (pro forma as adjusted) issued and outstanding, respectively	321	321		376(4)
Additional paid-in capital	544,804	665,377	(5)	765,445(5)
Cumulative dividends in excess of net income	(28,804)	(28,804)		(28,804)
Accumulated other comprehensive loss	(1,100)	(1,100)		(1,100)
Total shareholders' equity	515,221	635,844		735,967
Total capitalization	\$ 934,879	\$ 1,127,502		\$ 1,127,502

(1) Historical balance as of June 30, 2012	\$ 19,908
Proceeds from the initial advance under the \$60.0 million loan and the \$70.0 million loan, net of repayment of borrowings under the revolving credit facility and deferred financing costs	53,261
	2,661

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Proceeds from the preferred share offering, net of underwriting discounts and offering costs and repayment of borrowings under the revolving credit facility

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	Acquisition of the W Chicago - Lakeshore and the Hyatt Regency Mission Bay Spa and Marina, including hotel acquisition costs and net of borrowings under the revolving credit facility	(52,069)
	Pro forma balance as of June 30, 2012	\$ 23,761
(2)	Historical balance as of June 30, 2012	\$ 419,658
	Proceeds from the initial advance under the \$60.0 million loan and from the \$70.0 million loan	95,000
	Repayment of borrowings under the revolving credit facility from proceeds from the initial advance under the \$60.0 million loan, the \$70.0 million loan, and the preferred share offering	(158,000)
	Borrowings under the revolving credit facility to partially fund the acquisitions of the W Chicago - Lakeshore and the Hyatt Regency Mission Bay Spa and Marina	135,000
	Pro forma balance as of June 30, 2012	\$ 491,658
	Repayment of borrowings under the revolving credit facility from the estimated net proceeds from this offering	(100,123)
	Pro forma as adjusted balance as of June 30, 2012	\$ 391,535
(3)	Historical balance as of June 30, 2012	\$
	Issuance of preferred shares	50
	Pro forma balance as of June 30, 2012	\$ 50
(4)	Historical and pro forma balance as of June 30, 2012	\$ 321
	Issuance of common shares related to this offering	55
	Pro forma as adjusted balance as of June 30, 2012	\$ 376
(5)	Historical balance as of June 30, 2012	\$ 544,804
	Issuance of preferred shares, net of underwriting discounts and offering costs	120,573
	Pro forma balance as of June 30, 2012	\$ 665,377
	Issuance of common shares related to this offering, net of underwriting discounts and estimated offering costs	100,068
	Pro forma as adjusted balance as of June 30, 2012	\$ 765,445