

Chesapeake Lodging Trust
Form 8-K/A
September 11, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 21, 2012

CHESAPEAKE LODGING TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction

of incorporation)

001-34572
(Commission

File Number)

27-0372343
(IRS Employer

Identification No.)

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1997 Annapolis Exchange Parkway, Suite 410

Annapolis, MD
(Address of principal executive offices)

Registrant's telephone number, including area code: (410) 972-4140

21401
(Zip Code)

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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This Form 8-K/A amends and supplements the registrant's Form 8-K, as filed on August 21, 2012, to include the historical financial statements and pro forma financial information required by Item 9.01(a) and (b).

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

W Chicago Lakeshore

Independent Auditors Report

Balance Sheets as of June 30, 2012 (unaudited), and December 31, 2011 and 2010

Statements of Operations for the six-month periods ended June 30, 2012 and 2011 (unaudited) and for the years ended December 31, 2011 and 2010

Statements of Net Assets for the six-month period ended June 30, 2012 (unaudited) and for the years ended December 31, 2011 and 2010

Statements of Cash Flows for the six-month periods ended June 30, 2012 and 2011 (unaudited) and for the years ended December 31, 2011 and 2010

Notes to Financial Statements

(b) Pro forma financial information.

Chesapeake Lodging Trust

Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2012

Unaudited Pro Forma Consolidated Statement of Operations for the six months ended June 30, 2012

Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2011

(d) Exhibits.

Incorporated by reference to the Exhibit Index filed herewith and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 10, 2012

CHESAPEAKE LODGING TRUST

By: /s/ Graham J. Wootten
Graham J. Wootten
Senior Vice President and Chief Accounting Officer

Exhibit Index

| Exhibit Number | Exhibit Description |
|---------------------------|------------------------------|
| 23.1 | Consent of Ernst & Young LLP |

Report of Independent Auditors

To the Owners of W Chicago Lakeshore

We have audited the accompanying balance sheets of W Chicago Lakeshore (the Hotel), as of December 31, 2011 and 2010, and the related statements of operations, net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hotel's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Hotel's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hotel's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hotel at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

August 30, 2012

/s/ Ernst & Young LLP

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W Chicago Lakeshore

Balance Sheets

| | June 30, 2012 <i>(Unaudited)</i> | December 31, 2011 | December 31, 2010 |
|---|--|----------------------|----------------------|
| Assets | | | |
| Real estate, net | \$ 76,914,261 | \$ 78,021,037 | \$ 79,547,739 |
| Cash and cash equivalents | 107,538 | 208,611 | 60,580 |
| Accounts receivable, net | 2,556,432 | 918,679 | 1,336,725 |
| Inventory | 239,965 | 268,611 | 205,403 |
| Prepaid expense and other assets | 311,894 | 123,157 | 101,167 |
| Total assets | \$ 80,130,090 | \$ 79,540,095 | \$ 81,251,614 |
| Liabilities and net assets | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,627,581 | \$ 1,159,478 | \$ 1,137,114 |
| Accrued expenses and other liabilities | 4,636,902 | 3,964,871 | 4,105,259 |
| Due to affiliate | 65,541,599 | 68,685,866 | 78,559,943 |
| Total liabilities | 71,806,082 | 73,810,215 | 83,802,316 |
| Net assets | 8,324,008 | 5,729,880 | (2,550,702) |
| Total liabilities and net assets | \$ 80,130,090 | \$ 79,540,095 | \$ 81,251,614 |

See accompanying notes.

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W Chicago Lakeshore

Statements of Operations

| | Six-Month Period Ended | | Year Ended | |
|--------------------------------------|------------------------|---------------------|----------------------|----------------------|
| | June 30, 2012 | June 30, 2011 | December 31, 2011 | December 31, 2010 |
| | (Unaudited) | (Unaudited) | | |
| Departmental revenues: | | | | |
| Rooms | \$ 13,042,564 | \$ 12,568,203 | \$ 28,107,350 | \$ 26,410,226 |
| Food and beverage | 4,167,614 | 4,462,099 | 10,123,801 | 9,999,912 |
| Other | 1,297,891 | 1,374,138 | 3,057,950 | 3,048,122 |
| Total departmental revenues | 18,508,069 | 18,404,440 | 41,289,101 | 39,458,260 |
| Departmental expenses: | | | | |
| Rooms | 4,017,507 | 3,926,102 | 8,188,685 | 8,047,262 |
| Food and beverage | 3,516,327 | 3,443,860 | 7,804,008 | 7,825,562 |
| Other | 1,058,706 | 987,458 | 2,019,310 | 1,945,226 |
| Total departmental expenses | 8,592,540 | 8,357,420 | 18,012,003 | 17,818,050 |
| Operating expenses: | | | | |
| Administrative and general | 1,545,107 | 1,483,294 | 3,177,880 | 3,003,810 |
| Marketing and sales | 1,501,772 | 1,358,558 | 3,113,026 | 2,891,718 |
| Depreciation | 1,837,113 | 2,201,898 | 4,280,865 | 4,516,004 |
| Property operation and maintenance | 834,496 | 889,437 | 1,792,754 | 1,874,957 |
| Utilities | 376,969 | 408,037 | 786,895 | 855,702 |
| Real estate and other property taxes | 1,018,440 | 1,563,967 | 1,377,251 | 919,193 |
| Other fixed expense | 11,096 | 13,915 | 24,736 | 29,022 |
| Insurance | 196,408 | 219,890 | 443,109 | 437,758 |
| Total operating expenses | 7,321,401 | 8,138,996 | 14,996,516 | 14,528,164 |
| Net income | \$ 2,594,128 | \$ 1,908,024 | \$ 8,280,582 | \$ 7,112,046 |

See accompanying notes.

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W Chicago Lakeshore

Statements of Net Assets

| | |
|--------------------------------------|----------------|
| Balance at January 1, 2010 | \$ (9,662,748) |
| Net income | 7,112,046 |
| Balance at December 31, 2010 | (2,550,702) |
| Net income | 8,280,582 |
| Balance at December 31, 2011 | 5,729,880 |
| Net income | 2,594,128 |
| Balance at June 30, 2012 (unaudited) | \$ 8,324,008 |

See accompanying notes.

W Chicago Lakeshore

Statements of Cash Flows

| | Six-Month Period Ended | | Year Ended | |
|---|--|--|----------------------|----------------------|
| | June 30, 2012 <i>(Unaudited)</i> | June 30, 2011 <i>(Unaudited)</i> | December 31, 2011 | December 31, 2010 |
| Operating activities | | | | |
| Net income | \$ 2,594,128 | \$ 1,908,024 | \$ 8,280,582 | \$ 7,112,046 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | | |
| Depreciation | 1,837,113 | 2,201,898 | 4,280,865 | 4,516,004 |
| Bad debt expense | 15,761 | (19,478) | 205 | 20,892 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable, net | (1,653,514) | (854,567) | 417,841 | (399,799) |
| Inventory | 28,646 | (66,747) | (63,208) | (51,097) |
| Prepaid expense and other assets | (188,737) | (237,870) | (21,990) | 83,711 |
| Accounts payable and accrued expenses | 1,140,134 | 1,439,077 | (118,024) | (349,477) |
| Due to/from affiliate | (3,144,267) | (3,138,885) | (9,874,077) | (9,076,339) |
| Net cash provided by operating activities | 629,264 | 1,231,452 | 2,902,194 | 1,855,941 |
| Investing activities | | | | |
| Building improvement costs and equipment purchases | (730,337) | (1,238,977) | (2,754,163) | (1,861,257) |
| Net cash used in investing activities | (730,337) | (1,238,977) | (2,754,163) | (1,861,257) |
| Net (decrease) increase in cash and cash equivalents | (101,073) | (7,525) | 148,031 | (5,316) |
| Cash and cash equivalents at beginning of period | 208,611 | 60,580 | 60,580 | 65,896 |
| Cash and cash equivalents at end of period | \$ 107,538 | \$ 53,055 | \$ 208,611 | \$ 60,580 |

See accompanying notes.

W Chicago Lakeshore

Notes to Financial Statements

June 30, 2012 (unaudited) and December 31, 2011 and 2010

1. Organization

The financial statements of W Chicago Lakeshore (the Hotel) present the financial position, results from operations and cash flows of the Hotel's operations. The Hotel is a full-service, luxury property with 520 guest rooms located at 644 North Lake Shore Drive in Chicago, Illinois.

The Hotel is owned by Starwood Chicago Lakeshore Realty LLC (the Owner), a wholly owned subsidiary of Starwood Hotels & Resorts, Worldwide Inc. (Parent or Starwood).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared for purposes of enabling Chesapeake Lodging Trust (see Note 7) to comply with certain requirements of the Securities and Exchange Commission. The financial statements of the Hotel are prepared in conformity with U.S. generally accepted accounting principles (GAAP). The financial statements present the assets, liabilities and results of operations of the Hotel, and not of a legal entity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the realizability of accounts receivable, useful lives of real estate for purposes of determining depreciation expense and assessments as to whether there is impairment in the value of long-lived assets. Actual results could differ from those estimates.

W Chicago Lakeshore

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)**Real Estate**

Real estate is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

| Classification | Years |
|-----------------------------------|--------|
| Building | 40 |
| Building improvements | 15 |
| Furniture, fixtures and equipment | 3 - 10 |

Maintenance, minor repairs and replacements are expensed when incurred. Disposals and abandonments, if any, are recognized at occurrence as a charge to depreciation expense.

The Hotel reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal is less than its carrying amount. Impairment loss, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment loss has been identified or recorded in the six months ended June 30, 2012, or the years ended December 31, 2011 and 2010.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand, cash held in financial institutions and other highly liquid investments with an initial maturity of three months or less when purchased. The cash balance may at times exceed federal depository insurance limits.

W Chicago Lakeshore

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Hotel income represents revenue derived from room, food, beverage, parking and rental income. Room revenue is recognized as room-stays occur. Food, beverage, and parking revenue are recognized when services have been provided. Other revenue includes rental income on service and retail space, which is recognized over the non-cancelable term of each respective lease on a straight-line basis. Deposits received for future services are recorded within accrued expenses and other liabilities and are recognized as revenue when the services are provided. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable that is estimated to be uncollectible. The Hotel recorded \$4,881 (unaudited), \$2,923, and \$20,038 as an allowance for doubtful accounts at June 30, 2012, and December 31, 2011 and 2010, respectively, which is included in accounts receivable net on the accompanying balance sheets.

Income Taxes

The Owner is a limited liability company (LLC) and under the existing provisions of the Internal Revenue Code, income and losses of the LLC flow through to the member of the LLC; accordingly, no provision for income taxes has been provided for in the accompanying financial statements of the Hotel.

Risks and Uncertainties

The Company is exposed to the credit worthiness of its guests and tenants. The Company manages these risks, regularly evaluating the risk exposure and taking the appropriate measures to mitigate the risks.

Fair Value of Financial Instruments

As cash equivalents have maturities of less than three months, the carrying value of cash and cash equivalents approximates fair value. The fair values of the Hotel's other financial instruments (including such items in the financial statement captions as accounts receivable, accounts payable and accrued expenses and other liabilities approximate their carrying values based on their nature and terms.

W Chicago Lakeshore

Notes to Financial Statements (continued)

3. Real Estate

Real estate as of June 30, 2012 (unaudited) and December 31, 2011 and 2010, is comprised of the following:

| | June 30, 2012 <i>(Unaudited)</i> | December 31, 2011 | December 31, 2010 |
|------------------------------------|--|----------------------|----------------------|
| Land and land improvements | \$ 11,845,142 | \$ 11,845,142 | \$ 11,761,543 |
| Building and building improvements | 91,819,233 | 91,779,553 | 87,788,964 |
| Furniture, fixtures and equipment | 22,907,410 | 22,557,287 | 22,163,919 |
| Construction in progress | 1,438,639 | 1,098,105 | 2,811,498 |
| Total real estate | 128,010,424 | 127,280,087 | 124,525,924 |
| Accumulated depreciation | (51,096,163) | (49,259,050) | (44,978,185) |
| Real estate, net | \$ 76,914,261 | \$ 78,021,037 | \$ 79,547,739 |

4. Related-Party Transactions

Starwood sweeps all funds from operations into a centralized banking system and then funds cash for operations as needed. The Hotel incurs charges which are included in the accompanying statements of operations for services, programs and allocated costs from Starwood. Additionally, the Hotel reimburses Starwood for salary, related benefits and employment costs of Starwood employees who work for the Hotel. The financial statements reflect net due to affiliate balances as a result of these transactions of \$65,541,599 (unaudited) as of June 30, 2012, and \$68,685,866 and \$78,559,943 as of December 31, 2011 and 2010, respectively.

5. Rental Income

The Owner leases space in the Hotel to a service and retail company under an operating lease which expires in October 2015. Future minimum lease payments under the non-cancelable operating lease are as follows:

W Chicago Lakeshore

Notes to Financial Statements (continued)

| | |
|---------------------------|------------|
| Years Ending December 31: | |
| 2012 | \$ 211,652 |
| 2013 | 215,885 |
| 2014 | 220,203 |
| 2015 | 224,607 |
| Total | \$ 872,347 |

6. Commitments and Contingencies

Litigation

The Hotel is subject to legal proceedings and claims that arise in the normal course of business. As of June 30, 2012 and December 31, 2011 and 2010, management is not aware of any asserted or pending litigation or claims against the Hotel that it expects to have a material adverse effect on the Hotel's financial condition, results of operations or liquidity.

7. Subsequent Events

On August 5, 2012, the Owner entered into a definitive agreement with Chesapeake Lodging Trust for the sale of the Hotel for \$126 million. The sale closed on August 21, 2012.

The Hotel evaluated subsequent events through August 30, 2012, which is the date the financial statements were available to be issued.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF CHESAPEAKE LODGING TRUST

On August 21, 2012, Chesapeake Lodging Trust (the Trust) acquired the 520-room W Chicago Lakeshore in Chicago, Illinois for a purchase price of \$126.0 million, plus customary pro-rated amounts and closing costs.

The following unaudited pro forma balance sheet as of June 30, 2012 reflects the acquisition of the W Chicago Lakeshore as if the acquisition had occurred on that date. The unaudited pro forma balance sheet also includes a pro forma adjustment for the preferred share offering completed on July 17, 2012 as it is needed to present the funding of the acquisition on June 30, 2012.

The following unaudited pro forma statements of operations for the six months ended June 30, 2012 and the year ended December 31, 2011 reflect the acquisition of the W Chicago Lakeshore and the completion of the preferred share offering described above as if both had occurred on January 1, 2011. The unaudited pro forma statement of operations for the year ended December 31, 2011 also includes pro forma adjustments for the acquisitions of the W Chicago City Center (acquired on May 10, 2011), the Courtyard Washington Capitol Hill/Navy Yard (acquired on June 30, 2011), and the Denver Marriott City Center (acquired on October 3, 2011), all deemed to be significant acquisitions under Rule 3-05 of Regulation S-X, for the common share offering completed on March 4, 2011, and for the debt assumed in conjunction with the acquisition of the Courtyard Washington Capitol Hill/Navy Yard, as if all transactions had been completed on January 1, 2011.

The unaudited pro forma financial information does not purport to represent what the Trust's results of operations or financial condition would actually have been if the completion of these transactions had in fact occurred at the beginning of the periods presented, or to project the Trust's results of operations or financial condition for any future period. In addition, the unaudited pro forma financial information is based upon available information and upon assumptions and estimates, some of which are set forth in the notes to the unaudited pro forma financial statements, which the Trust believes are reasonable under the circumstances. The unaudited pro forma financial information and accompanying notes should be read in conjunction with the Trust's audited financial statements included in its 2011 Annual Report on Form 10-K.

CHESAPEAKE LODGING TRUST

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2012

(in thousands, except share data)

| | Historical Chesapeake Lodging Trust | Preferred Share Offering (1) | Acquisition of W Chicago Lakeshore (2) | Pro Forma Chesapeake Lodging Trust |
|--|---|---------------------------------|---|--|
| ASSETS | | | | |
| Property and equipment, net | \$ 877,696 | \$ | \$ 126,000 | \$ 1,003,696 |
| Intangible assets, net | 39,682 | | | 39,682 |
| Cash and cash equivalents | 19,908 | | | 19,908 |
| Restricted cash | 17,665 | | | 17,665 |
| Accounts receivable, net | 11,816 | | 1,097 | 12,913 |
| Prepaid expenses and other assets | 13,271 | | 478 | 13,749 |
| Deferred financing costs | 4,479 | | | 4,479 |
| Total assets | \$ 984,517 | \$ | \$ 127,575 | \$ 1,112,092 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | |
| Long-term debt | \$ 419,658 | \$ (120,623) | \$ 125,860 | \$ 424,895 |
| Accounts payable and accrued expenses | 27,442 | | 2,693 | 30,135 |
| Other liabilities | 22,196 | | | 22,196 |
| Total liabilities | 469,296 | (120,623) | 128,553 | 477,226 |
| Commitments and contingencies | | | | |
| Preferred shares, \$.01 par value; 100,000,000 shares authorized; no shares (actual) and 5,000,000 shares (pro forma) issued and outstanding | | 50 | | 50 |
| Common shares, \$.01 par value; 400,000,000 shares authorized; 32,133,386 shares issued and outstanding | 321 | | | 321 |
| Additional paid-in capital | 544,804 | 120,573 | | 665,377 |
| Cumulative dividends in excess of net income | (28,804) | | (978) | (29,782) |
| Accumulated other comprehensive loss | (1,100) | | | (1,100) |
| Total shareholders equity | 515,221 | 120,623 | (978) | 634,866 |
| Total liabilities and shareholders equity | \$ 984,517 | \$ | \$ 127,575 | \$ 1,112,092 |

Footnote:

- (1) Reflects the proceeds, net of underwriting fees and offering costs, from the Trust's preferred share offering completed on July 17, 2012. The Trust used the net proceeds to repay outstanding borrowings under its revolving credit facility.

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(2) Reflects the acquisition of the W Chicago Lakeshore as if it had occurred on June 30, 2012 for \$124,920 and was funded by borrowing under the Trust's revolving credit facility. The pro forma adjustment reflects the following:

Cash paid of \$978 for hotel acquisition costs;

Proceeds from borrowing under the revolving credit facility of \$125,860;

Purchase of land, building, and furniture, fixtures and equipment of \$126,000; and

Assumption of net working capital deficit of \$1,080, including hotel cash acquired of \$38.

CHESAPEAKE LODGING TRUST

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

(in thousands, except share and per share data)

| | Historical Chesapeake Lodging Trust | Acquisition of W Chicago Lakeshore (1) | Pro Forma Adjustments | Pro Forma Chesapeake Lodging Trust |
|--|---|---|--------------------------|--|
| REVENUE | | | | |
| Rooms | \$ 89,762 | \$ 13,042 | \$ | \$ 102,804 |
| Food and beverage | 23,811 | 4,168 | | 27,979 |
| Other | 3,743 | 1,298 | | 5,041 |
| Total revenue | 117,316 | 18,508 | | 135,824 |
| EXPENSES | | | | |
| Hotel operating expenses: | | | | |
| Rooms | 20,677 | 4,018 | | 24,695 |
| Food and beverage | 17,382 | 3,516 | | 20,898 |
| Other direct | 1,836 | 1,059 | | 2,895 |
| Indirect | 39,600 | 5,484 | | 45,084 |
| Total hotel operating expenses | 79,495 | 14,077 | | 93,572 |
| Depreciation and amortization | 13,207 | 1,837 | (456) (2) | 14,588 |
| Air rights contract amortization | 260 | | | 260 |
| Corporate general and administrative: | | | | |
| Share-based compensation | 1,565 | | | 1,565 |
| Hotel acquisition costs | 443 | | | 443 |
| Other | 4,031 | | | 4,031 |
| Total operating expenses | 99,001 | 15,914 | (456) | 114,459 |
| Operating income | 18,315 | 2,594 | 456 | 21,365 |
| Interest income | 22 | | | 22 |
| Interest expense | (10,190) | | (92) (3) | (10,282) |
| Income before income taxes | 8,147 | 2,594 | 364 | 11,105 |
| Income tax benefit (expense) | 110 | | (89) (4) | 21 |
| Net income | 8,257 | 2,594 | 275 | 11,126 |
| Preferred share dividends | | | (4,844) (5) | (4,844) |
| Net income (loss) available to common shareholders | \$ 8,257 | \$ 2,594 | \$ (4,569) | \$ 6,282 |
| Net income available per share basic and diluted | \$ 0.26 | | | \$ 0.19 |
| Weighted-average number of common shares outstanding basic and diluted | 31,892,431 | | | 31,892,431 |

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Footnotes:

- (1) Reflects the results of operations of the W Chicago Lakeshore for the six months ended June 30, 2012.
- (2) Reflects adjustment to depreciation expense based on the Trust's cost basis in the acquired hotel 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.
- (3) Reflects adjustment for interest expense related to a borrowing under the revolving credit facility in conjunction with the acquisition of the W Chicago Lakeshore.
- (4) Reflects adjustment to record pro forma income taxes related to the Trust's taxable REIT subsidiary as if the acquisition had occurred on January 1, 2011.
- (5) Reflects adjustment to record dividends accrued on 5,000,000 7.75% Series A Preferred Shares as if the preferred share offering had occurred on January 1, 2011.

CHESAPEAKE LODGING TRUST

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

(in thousands, except share and per share data)

| | Historical Chesapeake Lodging Trust | Previous Hotel Acquisitions Adjustment (1) | Acquisition of W Chicago Lakeshore (2) | Pro Forma Adjustments | Pro Forma Chesapeake Lodging Trust |
|---|---|--|---|-----------------------------|--|
| REVENUE | | | | | |
| Rooms | \$ 128,730 | \$ 30,162 | \$ 28,107 | \$ | \$ 186,999 |
| Food and beverage | 37,781 | 11,175 | 10,124 | | 59,080 |
| Other | 5,680 | 1,159 | 3,058 | | 9,897 |
| Total revenue | 172,191 | 42,496 | 41,289 | | 255,976 |
| EXPENSES | | | | | |
| Hotel operating expenses: | | | | | |
| Rooms | 30,110 | 6,863 | 8,189 | | 45,162 |
| Food and beverage | 27,682 | 7,406 | 7,804 | | 42,892 |
| Other direct | 2,785 | 577 | 2,019 | | 5,381 |
| Indirect | 55,550 | 15,525 | 10,715 | | 81,790 |
| Total hotel operating expenses | 116,127 | 30,371 | 28,727 | | 175,225 |
| Depreciation and amortization | 18,382 | 7,266 | 4,281 | (3,975) (3) | 25,954 |
| Air rights contract amortization | 520 | | | | 520 |
| Corporate general and administrative: | | | | | |
| Share-based compensation | 3,094 | | | | 3,094 |
| Hotel acquisition costs | 5,081 | | | (2,638) (4) | 2,443 |
| Other | 6,902 | | | | 6,902 |
| Total operating expenses | 150,106 | 37,637 | 33,008 | (6,613) | 214,138 |
| Operating income | 22,085 | 4,859 | 8,281 | 6,613 | 41,838 |
| Interest income | 145 | | | | 145 |
| Interest expense | (12,868) | (2,305) | | (2,711) (5) | (17,884) |
| Loss on early extinguishment of debt | (208) | | | | (208) |
| Income before income taxes | 9,154 | 2,554 | 8,281 | 3,902 | 23,891 |
| Income tax expense | (118) | | | (494) (6) | (612) |
| Net income | 9,036 | 2,554 | 8,281 | 3,408 | 23,279 |
| Preferred share dividends | | | | (9,688) (7) | (9,688) |
| Net income (loss) available to common shareholders | \$ 9,036 | \$ 2,554 | \$ 8,281 | \$ (6,280) | \$ 13,591 |

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| | | | | | | |
|--|-------------------|----|------------|--|----|----------------|
| Net income available per share | basic and | | | | | |
| diluted | | \$ | 0.31 | | \$ | 0.42 |
| | | | | | | |
| Weighted-average number of common shares | | | | | | |
| outstanding | basic and diluted | | 29,413,841 | | | 31,790,280 (8) |

Footnotes:

- (1) Reflects the results of operations of the W Chicago City Center, Courtyard Washington Capitol Hill/Navy Yard, and the Denver Marriott City Center for the periods prior to their acquisition.
- (2) Reflects the results of operations of the W Chicago Lakeshore for the year ended December 31, 2011.
- (3) Reflects adjustment to depreciation expense based on the Trust's cost basis in the acquired hotels 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.
- (4) Reflects removal of historical transaction costs related to the acquisitions of the W Chicago City Center, the Courtyard Washington Capital Hill/Navy Yard, and the Denver Marriott City Center.
- (5) Reflects removal of historical interest expense related to debt not assumed in conjunction with the acquisition of the Denver Marriott City Center and includes adjustment for interest expense related to borrowings under the Trust's revolving credit facility in conjunction with the acquisitions of the W Chicago City Center, the Courtyard Washington Capitol Hill/Navy Yard, the Denver Marriott City Center, and the W Chicago Lakeshore.
- (6) Reflects adjustment to record pro forma income taxes related to the Trust's taxable REIT subsidiary as if all acquisitions had occurred on January 1, 2011.
- (7) Reflects adjustment to record dividends accrued on 5,000,000 7.75% Series A Preferred Shares as if the preferred share offering had occurred on January 1, 2011.
- (8) Reflects number of common shares issued and outstanding as if the Trust's common share offering had occurred on January 1, 2011.