

Pebblebrook Hotel Trust  
Form 424B5  
September 13, 2011

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**Filed Pursuant to Rule 424(b)(5)  
Registration File No. 333-173468**

**CALCULATION OF REGISTRATION FEE**

<b>Title of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(1)</b>
Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share	\$85,000,000	\$9,869(1)

(1) Calculated pursuant to Rule 457(r) under the Securities Act of 1933, as amended.

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The information in this preliminary prospectus supplement 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 jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-173468**

**SUBJECT TO COMPLETION, DATED SEPTEMBER 13, 2011**

**PROSPECTUS SUPPLEMENT  
(To prospectus dated April 13, 2011)**

**Shares**

**% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest  
(Liquidation Preference \$25 Per Share)**

We are offering \_\_\_\_\_ of our % Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share (the Series B Preferred Shares ).

Distributions on the Series B Preferred Shares will be payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The distribution rate is % per annum of the \$25.00 liquidation preference, which is equivalent to \$ \_\_\_\_\_ per annum per Series B Preferred Share. The first distribution on the Series B Preferred Shares sold in this offering will be paid on October 17, 2011 and will be in the amount of \$ \_\_\_\_\_ per share.

Generally, we may not redeem the Series B Preferred Shares until September , 2016. On and after September , 2016, we may, at our option, redeem the Series B Preferred Shares, in whole or from time to time in part, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption. In addition, upon the occurrence of a change of control the result of which our common shares of beneficial interest, par value \$0.01 per share ( common shares ), and the common securities of the acquiring or surviving entity (or American Depositary Receipts ( ADRs ) representing such securities) are not listed on the New York Stock Exchange (the NYSE ), the NYSE Amex Equities (the NYSE Amex ) or the NASDAQ Stock Market ( NASDAQ ) or listed or quoted on a successor exchange or quotation system, we may, at our option, redeem the Series B Preferred Shares, in whole or in part and within 120 days after the first date on which such change of control occurred, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption. If we exercise any of our redemption rights relating to the Series B Preferred Shares, the holders of Series B Preferred Shares will not have the conversion right described below. The Series B Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us or converted in connection with a change of control by the holders of Series B Preferred Shares.

Upon the occurrence of a change of control the result of which our common shares and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on a successor exchange or quotation system, each holder of Series B Preferred Shares will have the right (unless, prior to the Change of Control Conversion Date (as defined herein), we have provided or provide notice of our election to redeem the Series B Preferred Shares) to convert some or all of the Series B Preferred Shares held by such holder on the Change of Control Conversion Date into a number of our common shares per Series B Preferred Share to be converted equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but not including, the Change of Control Conversion Date (unless the

Change of Control Conversion Date is after a record date for a Series B Preferred Share distribution payment and prior to the corresponding Series B Preferred Share distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Share Price (as defined herein); and

(the Share Cap ), subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

The Series B Preferred Shares are subject to certain restrictions on ownership designed to preserve our qualification as a real estate investment trust ( REIT ) for federal income tax purposes.

We intend to file an application to list the Series B Preferred Shares on the NYSE under the symbol PEBPrB.

**Investing in the Series B Preferred Shares involves a high degree of risk. Before buying any Series B Preferred Shares, you should carefully read the discussion of material risks of investing in the Series B Preferred Shares under the heading Risk Factors on page S-10 of this prospectus supplement and beginning on page 5 of our Annual Report on Form 10-K for the year ended December 31, 2010.**

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

We granted the underwriters the right to purchase up to an additional Series B Preferred Shares at the public offering price, less the underwriting discount, to cover overallocments within 30 days from the date of this prospectus supplement.

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

The underwriters expect to deliver the shares on or about September , 2011.

Raymond James	<i>Joint Book-Running Managers</i> <b>BofA Merrill Lynch</b> <i>Senior Co-Managers</i>	Wells Fargo Securities
Citigroup	<i>Co-Managers</i>	RBC Capital Markets
Baird	Janney Montgomery Scott      Morgan Keegan	Stifel Nicolaus Weisel

**The date of this prospectus supplement is September , 2011.**

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**You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to**

**purchase, any securities in any jurisdiction where it is unlawful to make such offer or solicitation. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any applicable free writing prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference, the information in this prospectus supplement will supersede such information.

*This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Information by Reference in this prospectus supplement and Where You Can Find More Information in the accompanying prospectus. Unless the context otherwise requires, in this prospectus supplement, the terms company, we, us and our include Pebblebrook Hotel Trust and its consolidated subsidiaries, including Pebblebrook Hotel, L.P., our operating partnership.*

**OUR COMPANY**

**General**

Pebblebrook Hotel Trust is an internally managed hotel investment company, organized in October 2009, to opportunistically acquire and invest in hotel properties located primarily in major U.S. cities, with an emphasis on the major coastal markets. As of the date of this prospectus supplement, we owned or had an ownership interest in 20 hotels in nine states and the District of Columbia with an aggregate of 5,542 guest rooms.

We conduct substantially all of our operations, and make substantially all of our investments, through our operating partnership, Pebblebrook Hotel, L.P., and its subsidiaries.

We believe that we qualify, and we have elected to be taxed, as a REIT under the Internal Revenue Code of 1986, as amended, commencing with our taxable period ended on December 31, 2009.

**Business Objectives and Strategies**

We invest in hotel properties located primarily in major U.S. cities, such as Atlanta, Boston, Chicago, Minneapolis, New York, Los Angeles, Philadelphia, San Francisco and Washington, D.C., with an emphasis on the major coastal metropolitan markets. We believe these markets have significant barriers-to-entry and generally offer a more attractive investment opportunity. In addition, we also target investments in resort properties located near our primary urban target markets, as well as in select destination resort markets such as Hawaii, south Florida and southern California. We focus on both branded and independent full-service hotels in the upper upscale segment of the lodging industry, as defined by Smith Travel Research, Inc. In addition, we may seek to acquire branded, upscale, select-service hotels in our primary urban target markets. The full-service hotels on which we focus our investment activity generally have one or more restaurants, lounges, meeting facilities and other amenities, as well as high customer service levels. The select-service hotels in which we may invest generally will not have comprehensive business meeting or banquet facilities and will have limited food and beverage outlets. We believe that our target markets, including the coastal cities and resort markets, are characterized by significant barriers-to-entry and that room-night demand and average daily rate growth at these types of hotels will likely continue to outperform the national average, as they have

historically.

We utilize extensive research to evaluate any target market and property, including a detailed review of the long-term economic outlook, trends in local demand generators, competitive environment, property

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systems and physical condition and property financial performance. Specific acquisition criteria may include, but are not limited to, the following:

premier locations, facilities and other competitive advantages not easily replicated;

significant barriers-to-entry in the market, such as scarcity of development sites, regulatory hurdles, high per-room development costs and long lead times for new development;

acquisition prices at a significant discount to replacement cost;

properties not subject to long-term management contracts with hotel management companies;

potential return on investment initiatives, including redevelopment, rebranding, redesign, expansion and change of management;

opportunities to implement value-added operational improvements; and

strong demand growth characteristics supported by favorable demographic indicators.

We believe that as the U.S. economy continues to recover and generate positive gross domestic product growth, upper-upscale full-service hotels and resorts and upscale select-service hotels located in major U.S. urban, convention and drive-to and destination resort markets are likely to generate the most favorable returns on investment in the lodging industry. Hotel developers' inability to source construction financing over the past 24 to 36 months, a trend that we believe is likely to continue for the next two to three years, has created an environment in which minimal new lodging supply is expected to be added through at least 2013. We believe that as transient and group travel rebounds, existing supply will accommodate incremental room-night demand, allowing hotel owners to grow occupancy and increase rates, thereby improving profitability. We believe that portfolio diversification will allow us to capitalize from growth in various customer segments, including business transient, leisure transient and group and convention room-night demand.

We generally seek to enter into flexible management contracts with third-party hotel management companies for the operation of our hotels that provide us with the ability to replace operators and/or reposition properties, to the extent that we determine to do so and align our operators with our objective of maximizing return on investment. In addition, we believe that flexible management contracts facilitate the sale of hotels, and we may seek to sell hotels opportunistically if we believe sales proceeds may be invested in other hotel properties that offer more attractive risk-adjusted returns.

We currently do not intend to engage in significant development or redevelopment of hotel properties. However, we do expect to engage in partial redevelopment, renovation and repositioning of certain properties, as we seek to maximize the financial performance of our hotels. In addition, we may acquire properties that require significant capital improvement, renovation or refurbishment. Over the long-term, we may acquire hotel and resort properties that we believe would benefit from significant redevelopment or expansion, including, for example, adding rooms, meeting facilities or other amenities.

We may consider acquiring outstanding debt secured by a hotel or resort property from lenders and investors if we believe we can foreclose on or acquire ownership of the property in the near-term. In connection with our acquisitions, we do not intend to originate any debt financing or purchase any debt where we do not expect to gain ownership of the underlying property. Additionally, we may co-invest in hotels with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for a property, partnership, joint venture

or other entity. For example, on July 29, 2011, we acquired a 49% interest in a joint venture that owns a portfolio of six hotel properties in New York, New York. See Recent Developments.

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### **Financing Strategies**

Over the long-term, we expect to maintain a low-leverage capital structure and intend to limit the sum of the outstanding principal amount of our consolidated net indebtedness and the liquidation preference of any outstanding preferred shares to not more than 4.5x our pro forma annualized earnings before income taxes, depreciation and amortization for the 12-month period preceding the incurrence of such debt or the issuance of such preferred shares. Net indebtedness consists of total debt less cash and cash equivalents and investments. Over time, we intend to finance our long-term growth with common and preferred equity issuances and debt financing having staggered maturities. Our debt includes mortgage debt secured by our hotel properties and unsecured debt.

We anticipate using our senior unsecured revolving credit facility to fund future acquisitions, as well as for property redevelopments, return on investment initiatives and working capital requirements. Subject to market conditions, we intend to repay amounts outstanding under our senior unsecured credit facility from time to time with proceeds from periodic common and preferred equity issuances, long-term debt financings and cash flows from operations.

When purchasing hotel properties, we may issue limited partnership interests in our operating partnership as full or partial consideration to sellers who may desire to take advantage of tax deferral on the sale of a hotel or participate in the potential appreciation in value of our common shares. To date, we have not issued any limited partnership interests in our operating partnership to purchase hotel properties.

### **Competition**

We compete for hotel investment opportunities with institutional investors, private equity investors, other REITs and numerous local, regional and national owners, including franchisors, in each of our target markets. Some of these entities 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 or purchased by us.

The hotel industry is highly competitive. Hotels we acquire compete with other hotels for guests in our markets. Competitive factors include location, convenience, brand affiliation, room rates, range of services, facilities and guest amenities or accommodations offered and quality of guest service. Competition in the markets in which our hotels operate includes competition from existing, newly renovated and newly developed hotels in the relevant segments. Competition can adversely affect the occupancy, average daily rate and room revenue per available room of our hotels, and thus our financial results, and may require us to provide additional amenities, incur additional costs or make capital improvements that we otherwise might not choose to make, which may adversely affect our profitability.

### **Seasonality**

Demand in the lodging industry is affected by recurring seasonal patterns. Generally, we expect lower revenue, operating income and cash flow in the first and fourth quarters and higher revenue, operating income and cash flow in the second and third quarters. The general trends, however, are greatly influenced by overall economic cycles and the geographic locations and the renovation schedules of our hotels.

### **Recent Developments**

On July 29, 2011, we entered into a joint venture with an affiliate of Denihan Hospitality Group that owns six upper upscale hotel properties located in the borough of Manhattan, New York, New York. The six upper upscale hotels, which we refer to as the Manhattan Collection – Affinia Manhattan, Affinia Shelburne, Affinia Dumont, Affinia 50, Affinia Gardens and The Benjamin – have an aggregate of 1,640 guest rooms. We made a \$153.6 million equity

investment in exchange for a 49% interest in the joint venture, valuing the Manhattan Collection at approximately \$910 million (subject to working capital and similar adjustments). The

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hotel properties are subject to approximately \$596.6 million in existing first mortgage and mezzanine debt which matures in February 2013.

On July 14, 2011, we issued 600,000 7.875% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share ( Series A Preferred Shares ), at an offering price of \$25.25 per share directly to an institutional investor, resulting in net cash proceeds to us of approximately \$15.1 million.

Growth in occupancy rate, average daily rate and room revenue per available room ( RevPAR ) for our hotels, excluding the Grand Hotel Minneapolis, in the month of July 2011 as compared to July 2010 were 0.5%, 9.2% and 9.7%, respectively. Results for these operating statistics for the month of August 2011 are preliminary, as we are in the process of completing the collection of August operating data from our hotel managers. However, the preliminary data shows that the growth in RevPAR for August 2011 as compared to August 2010 was approximately 8.0%. As noted above, our August 2011 RevPAR data is preliminary. It is possible that our RevPAR growth could have been less than the amount indicated. Accordingly, investors should not place undue reliance on this preliminary estimate.

**Other**

We currently employ 19 full-time employees. None of our employees is a member of any union; however, some employees of our hotel managers at several of our hotels are currently represented by labor unions and are subject to collective bargaining agreements.

Our principal executive offices are located at 2 Bethesda Metro Center, Suite 1530, Bethesda, Maryland 20814. Our telephone number is (240) 507-1300. Our Internet website is [www.pebblebrookhotels.com](http://www.pebblebrookhotels.com). The information contained on our website is not part of this prospectus supplement.

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**THE OFFERING**

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series B Preferred Shares, see Description of the Series B Preferred Shares in this prospectus supplement and Description of Shares of Beneficial Interest Preferred Shares in the accompanying prospectus.

Issuer	Pebblebrook Hotel Trust
Securities Offered	Series B Preferred Shares ( shares if the underwriters exercise their overallotment option in full). We reserve the right to reopen this series and issue additional Series B Preferred Shares either through public or private sales at any time.
Distributions	Holder of the Series B Preferred Shares will be entitled to receive cumulative cash distributions on the Series B Preferred Shares at the rate of % per annum of the \$25.00 per share liquidation preference (equivalent to \$ per annum per Series B Preferred Share). Distributions on the Series B Preferred Shares will be payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The first distribution on the Series B Preferred Shares sold in this offering will be paid on October 17, 2011 and will be in the amount of \$ per share.
No Maturity	The Series B Preferred Shares have no maturity date, and we are not required to redeem the Series B Preferred Shares. In addition, we are not required to set aside funds to redeem the Series B Preferred Shares. Accordingly, the Series B Preferred Shares will remain outstanding indefinitely unless we decide to redeem them or, under circumstances where the holders of Series B Preferred Shares have a conversion right, the holders of Series B Preferred Shares decide to convert them.
Optional Redemption	We may not redeem the Series B Preferred Shares prior to September , 2016, except as described below under Special Optional Redemption and in limited circumstances relating to our continuing qualification as a REIT. On and after September , 2016, we may, at our option, redeem the Series B Preferred Shares, in whole or from time to time in part, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption.
Special Optional Redemption	Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem the Series B Preferred Shares, in whole or in part and within 120 days after the first date on which such Change of Control occurred, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption. If, prior to the Change of Control Conversion Date, we exercise any of our redemption rights relating to the Series B Preferred Shares (whether our optional redemption right or our special optional redemption right), the holders of Series B Preferred Shares will not have the conversion right described below.



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A Change of Control is when, after the original issuance of the Series B Preferred Shares, the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act), of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of trustees (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series B Preferred Shares will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series B Preferred Shares) to convert some or all of the Series B Preferred Shares held by such holder on the Change of Control Conversion Date into a number of our common shares per Series B Preferred Share to be converted equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series B Preferred Share distribution payment and prior to the corresponding Series B Preferred Share distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Share Price; and

(i.e., the Share Cap), subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

If we have provided or provide a redemption notice, whether pursuant to our special optional redemption right in connection with a Change of Control or our optional redemption right, holders of Series B Preferred Shares will not have any right to convert the Series B Preferred Shares in



connection with the Change of Control Conversion Right and any Series B Preferred Shares

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subsequently selected for redemption that have been tendered for conversion will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

For definitions of Change of Control Conversion Right, Change of Control Conversion Date and Common Share Price and for a description of the adjustments and provisions for the receipt of alternative consideration that may be applicable to the Change of Control Conversion Right, see Description of the Series B Preferred Shares Conversion Rights.

Except as provided above in connection with a Change of Control, the Series B Preferred Shares are not convertible into or exchangeable for any other securities or property.

**Liquidation Preference**

If we liquidate, dissolve or wind up, the holders of the Series B Preferred Shares will have the right to receive \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of payment, before any payments are made to the holders of our common shares or any other shares of beneficial interest that rank junior to the Series B Preferred Shares.

**Ranking**

The Series B Preferred Shares rank senior to our common shares and future junior securities, pari passu with our outstanding Series A Preferred Shares and any future parity securities (collectively, the Parity Preferred Shares ), and junior to all of our existing and future indebtedness and any future senior securities, with respect to the payment of distributions and the distribution of assets in the event of our liquidation, dissolution or winding up.

**Voting Rights**

Holders of Series B Preferred Shares generally have no voting rights. However, if we do not pay distributions on the Series B Preferred Shares for six quarterly periods, whether or not consecutive, the holders of the Series B Preferred Shares, voting as a single class with the holders of any other Parity Preferred Shares upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of two additional trustees to serve on our Board of Trustees until we pay all distributions which we owe on the Series B Preferred Shares. In addition, the affirmative vote of the holders of at least two-thirds of the outstanding Series B Preferred Shares is required for us to authorize, create or increase shares ranking senior to the Series B Preferred Shares or to amend our Declaration of Trust in a manner that materially and adversely affects the rights of the holders of the Series B Preferred Shares.

Among other things, we may, without any vote of the holders of the Series B Preferred Shares, issue additional Series B Preferred Shares and Parity Preferred Shares.

**Information Rights**

During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series B Preferred Shares are outstanding, we will (i) transmit by mail or other permissible means under the Exchange Act to all holders of Series B Preferred Shares as their names and addresses appear in our record books and without cost to such holders, copies

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of the Annual

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Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) within 15 days following written request, supply copies of such reports to any prospective holder of the Series B Preferred Shares. We will mail (or otherwise provide) the reports to the holders of Series B Preferred Shares within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

NYSE Symbol

We intend to file an application to list the Series B Preferred Shares on the NYSE under the symbol PEBPrB. If listing is approved, we expect trading to commence within 30 days after the initial delivery of the Series B Preferred Shares.

Restrictions on Ownership and Transfer

Our Declaration of Trust and the articles supplementary creating the Series B Preferred Shares contain restrictions on ownership and transfer, including provisions that limit to 9.8% the percentage ownership of the Series B Preferred Shares by any one person or group of affiliated persons. Our Declaration of Trust also limits to 9.8% the percentage ownership of our common shares by any one person or group of affiliated persons. These provisions may limit the ability of the holders of Series B Preferred Shares to convert their Series B Preferred Shares into our common shares. Our Board of Trustees may, in its sole discretion, exempt a person from the 9.8% ownership limit under certain circumstances.

Use of Proceeds

We estimate that the net proceeds of this offering, after deducting the underwriting discount and other estimated offering expenses payable by us, will be approximately \$ million (approximately \$ million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership will use the net proceeds as follows: (i) approximately \$42.0 million to repay the debt outstanding on our senior unsecured credit facility; and (ii) the balance for general corporate purposes, which may include acquiring and investing in hotel properties in accordance with our investment strategy, reducing our debt and repurchasing our outstanding common shares. As of the date of this prospectus supplement, the annual interest rate payable on our \$200 million senior unsecured credit facility was approximately 2.75% and the principal amount outstanding was approximately \$42.0 million. Prior to using any of the net proceeds for general corporate purposes, we intend to invest those 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 hotel properties. See Use of Proceeds.

Risk Factors

See Risk Factors beginning on page S-10 of this prospectus supplement and beginning on page 5 of our Annual Report on



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Form 10-K for the year ended December 31, 2010, to read about certain risks you should consider before buying the Series B Preferred Shares.

Tax Consequences

Certain federal income tax considerations of purchasing, owning and disposing of the Series B Preferred Shares are summarized in Additional Federal Income Tax Considerations on page S-25 of this prospectus supplement, which supplements the discussion under the heading Material Federal Income Tax Considerations in the accompanying prospectus.

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**RISK FACTORS**

*An investment in the Series B Preferred Shares involves a high degree of risk. In addition to other information in this prospectus supplement, you should carefully consider the following risks, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2010, as well as other information and data set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein before making an investment decision with respect to the Series B Preferred Shares. The occurrence of any of these risks could materially and adversely affect our business, financial condition, liquidity, results of operations, prospects and our ability to make cash distributions to holders of the Series B Preferred Shares, which could cause you to lose all or a significant portion of your investment in the Series B Preferred Shares. Some statements in this prospectus supplement, including statements in the following risk factors, constitute forward-looking statements. See *Cautionary Note Regarding Forward-Looking Statements* in the accompanying prospectus.*

***The Series B Preferred Shares are subordinate to our existing and future debt, and your interests could be diluted by the issuance of additional preferred shares and by other transactions.***

The Series B Preferred Shares will rank junior to all of our existing and future debt and to other non-equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation or similar proceedings. Our future debt may include restrictions on our ability to pay distributions to preferred shareholders. Our Declaration of Trust currently authorizes the issuance of up to 100,000,000 preferred shares in one or more series. Prior to this offering, we have issued 5,600,000 Series A Preferred Shares. In addition, our Board of Trustees has the power under our Declaration of Trust to classify any of our unissued preferred shares, and to reclassify any of our previously classified but unissued preferred shares of any series, from time to time, in one or more series of preferred shares. The issuance of additional preferred shares on parity with or senior to the Series B Preferred Shares would dilute the interests of the holders of the Series B Preferred Shares, and any issuance of preferred shares senior to the Series B Preferred Shares or of additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on the Series B Preferred Shares. Other than the conversion right afforded to holders of Series B Preferred Shares that may occur in connection with a Change of Control as described under *Description of the Series B Preferred Shares Conversion Rights* below, none of the provisions relating to the Series B Preferred Shares contain any provisions relating to or limiting our indebtedness or affording the holders of the Series B Preferred Shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series B Preferred Shares, so long as the rights of the holders of the Series B Preferred Shares are not materially and adversely affected.

***The Series B Preferred Shares have not been rated.***

We have not sought to obtain a rating for the Series B Preferred Shares. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series B Preferred Shares. In addition, we may elect in the future to obtain a rating of the Series B Preferred Shares, which could adversely impact the market price of the Series B Preferred Shares. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Series B Preferred Shares.

***As a holder of Series B Preferred Shares, you will have extremely limited voting rights.***

Your voting rights as a holder of Series B Preferred Shares will be limited. Our common shares are the only class of our securities that carry full voting rights. Voting rights for holders of Series B Preferred Shares exist primarily with respect to the ability to elect, together with holders of other Parity Preferred Shares, two additional trustees to our Board of Trustees in the event that six quarterly distributions (whether or not consecutive) payable on the Series B Preferred Shares are in arrears, and

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with respect to voting on amendments to our Declaration of Trust or articles supplementary relating to the Series B Preferred Shares that materially and adversely affect the rights of the holders of Series B Preferred Shares or create additional classes or series of our shares that are senior to the Series B Preferred Shares. Other than the limited circumstances described in this prospectus supplement, holders of Series B Preferred Shares will not have any voting rights. See Description of the Series B Preferred Shares Voting Rights.

***The Change of Control conversion feature may not adequately compensate you, and the Change of Control conversion and redemption features of the Series B Preferred Shares may make it more difficult for a party to take over our company or discourage a party from taking over our company.***

Upon the occurrence of a Change of Control the result of which our common shares and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ, holders of the Series B Preferred Shares will have the right (unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series B Preferred Shares) to convert some or all of their Series B Preferred Shares into our common shares (or equivalent value of alternative consideration) and under these circumstances we will also have a special optional redemption right to redeem the Series B Preferred Shares. See Description of the Series B Preferred Shares Conversion Rights and Special Optional Redemption. Upon such a conversion, the holders will be limited to a maximum number of our common shares equal to the Share Cap multiplied by the number of Series B Preferred Shares converted. If the Common Share Price is less than \$ (which is approximately % of the per-share closing sale price of our common shares on September , 2011), subject to adjustment, the holders will receive a maximum of of our common shares per Series B Preferred Share, which may result in a holder receiving value that is less than the liquidation preference of the Series B Preferred Shares. In addition, those features of the Series B Preferred Shares may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a Change of Control of our company under circumstances that otherwise could provide the holders of our common shares, Series A Preferred Shares and Series B Preferred Shares with the opportunity to realize a premium over the then-current market price or that shareholders may otherwise believe is in their best interests.

***There is no established trading market for the Series B Preferred Shares, listing on the NYSE does not guarantee a market for the Series B Preferred Shares and the market price and trading volume of the Series B Preferred Shares may fluctuate significantly.***

The Series B Preferred Shares are a new issue of securities with no established trading market. We intend to file an application to list the Series B Preferred Shares on the NYSE, but there can be no assurance that the NYSE will approve the Series B Preferred Shares for listing. Even if the NYSE approves the Series B Preferred Shares for listing, an active trading market on the NYSE for the Series B Preferred Shares may not develop or, if it does develop, may not last, in which case the market price of the Series B Preferred Shares could be materially and adversely affected. If an active trading market does develop on the NYSE, the Series B Preferred Shares may trade at prices lower than the initial public offering price. The market price of the Series B Preferred Shares would depend on many factors, including, but not limited to:

prevailing interest rates;

the market for similar securities;

general economic and financial market conditions;

our issuance, as well as the issuance by our subsidiaries, of additional preferred equity or debt securities; and

our financial condition, cash flows, liquidity, results of operations, funds from operations and prospects.

We have been advised by the underwriters that they intend to make a market in the Series B Preferred Shares, but they are not obligated to do so and may discontinue market-making at any time without notice.

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**USE OF PROCEEDS**

We estimate that the net proceeds of this offering, after deducting the underwriting discount and other estimated offering expenses payable by us, will be approximately \$      million. If the underwriters exercise their overallotment option in full, the net proceeds will be approximately \$      million.

We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership will use the net proceeds as follows: (i) approximately \$42.0 million to repay the debt outstanding on our senior unsecured credit facility; and (ii) the balance for general corporate purposes, which may include acquiring and investing in hotel properties in accordance with our investment strategy, reducing our debt and repurchasing our outstanding common shares. As of September 9, 2011, the annual interest rate payable on our \$200 million senior unsecured credit facility was approximately 2.75% and the principal amount outstanding was approximately \$42.0 million. Prior to using any of the net proceeds for general corporate purposes, we intend to invest those 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 hotel properties.

In the ordinary course of our business, we continually evaluate hotel properties for acquisition. At any given time, we may be a party to letters of intent or conditional purchase agreements with respect to possible acquisitions and may be in various stages of due diligence and underwriting as part of our evaluations. Consummation of any potential acquisition is often subject to outstanding conditions. We can give no assurance that we will complete the acquisition of any particular hotel property or, if we do, what the terms or timing of any such acquisition will be.

Table of Contents**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDENDS**

The following table sets forth our ratio of earnings to combined fixed charges and preferred share dividends for the periods shown:

	<b>Six months ended June 30, 2011</b>	<b>Year ended December 31, 2010</b>	<b>For the period October 6, 2009 (date operations commenced) through December 31, 2009</b>
Ratio of earnings to combined fixed charges and preferred share dividends	0.9x(1)	(2)	(3)

- (1) The total amount of combined fixed charges and preferred share dividends for this period was approximately \$9,826,356 and the total amount of earnings was approximately \$8,486,066. The amount of the deficiency, or the amount of combined fixed charges and preferred share dividends in excess of earnings, was approximately \$1,340,290. On March 11, 2011, we issued 5,000,000 Series A Preferred Shares and preferred share dividends from that date through June 30, 2011 are included in the ratio for this period.
- (2) Earnings for this period were less than zero. The total amount of fixed charges for this period was approximately \$1,688,000 and the total amount of earnings was approximately \$(5,034,000). The amount of the deficiency, or the amount of fixed charges in excess of earnings, was approximately \$6,722,000. There were no preferred shares outstanding during this period.
- (3) Earnings for this period were less than zero. The total amount of fixed charges for this period was \$0 and the total amount of earnings was \$(147,000). The amount of the deficiency, or the amount of fixed charges in excess of earnings, was approximately \$147,000. There were no preferred shares outstanding during this period.

The ratio of earnings to combined fixed charges and preferred share dividends is calculated by dividing earnings by the sum of fixed charges and preferred share dividends. For purposes of computing this ratio, we calculate earnings by adding fixed charges to income (loss) before income taxes less minority interest and preferred share dividends and fixed charges by adding interest on debt and capitalized leases, amortization of debt discount and expense, an imputed interest factor included in rentals and preferred share dividends.

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**DESCRIPTION OF THE SERIES B PREFERRED SHARES**

*This description of the Series B Preferred Shares supplements the description of the general terms and provisions of our shares of beneficial interest, including preferred shares, contained in the accompanying prospectus. You should consult that general description for further information.*

**General**

We currently are authorized to issue up to 100,000,000 preferred shares in one or more series. Each series will have the designations, powers, preferences, rights, qualifications, limitations or restrictions as Maryland law may permit and our Board of Trustees may determine by adoption of applicable articles supplementary to our Declaration of Trust.

This summary of the terms and provisions of the Series B Preferred Shares is not complete. Our Board of Trustees will adopt articles supplementary designating the terms of the Series B Preferred Shares, and you may obtain a complete copy of the articles supplementary designating the Series B Preferred Shares by contacting us. In connection with this offering, we will file the articles supplementary with the SEC. Our Board of Trustees may, without notice to or the consent of holders of Series B Preferred Shares, authorize the issuance and sale of additional Series B Preferred Shares from time to time.

We intend to file an application to list the Series B Preferred Shares on the NYSE under the symbol PEBPrB. If listing is approved, we expect trading to commence within 30 days after the initial delivery of the Series B Preferred Shares.

The transfer agent, registrar and distribution disbursement agent for the Series B Preferred Shares is Wells Fargo Bank, N.A.

As of the date of this prospectus supplement, we have 5,600,000 Series A Preferred Shares, with an aggregate liquidation preference of \$140,000,000, issued and outstanding.

**Ranking**

The Series B Preferred Shares rank senior to our common shares and to any other of our future equity securities that we may later authorize or issue that by their terms rank junior to the Series B Preferred Shares with respect to the payment of distributions and the distribution of assets in the event of our liquidation, dissolution or winding up. The Series B Preferred Shares rank pari passu with any Parity Preferred Shares (i.e., our outstanding Series A Preferred Shares and any future equity securities that we may later authorize or issue that by their terms are on a parity with the Series B Preferred Shares). The Series B Preferred Shares rank junior to any equity securities that we may later authorize or issue that by their terms rank senior to the Series B Preferred Shares. Any such authorization or issuance would require the affirmative vote of the holders of at least two-thirds of the outstanding Series B Preferred Shares. Any convertible debt securities that we may issue are not considered to be equity securities for these purposes. The Series B Preferred Shares rank junior to all of our existing and future indebtedness.

**Distributions**

Holders of the Series B Preferred Shares will be entitled to receive, when and as authorized by our Board of Trustees, out of funds legally available for the payment of distributions, cumulative cash distributions at the rate of % per annum of the \$25.00 per share liquidation preference, equivalent to \$ per annum per Series B Preferred Share.

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Distributions on the Series B Preferred Shares will be payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. The first distribution on the Series B Preferred Shares sold in this offering will be paid on October 17, 2011 and will be in the amount of \$            per share. Distributions payable on the Series B Preferred Shares for any partial period will be computed on the basis of a 360-day year consisting of twelve 30-day months. We will pay distributions to holders of record as they appear in our share records at the close of business on the applicable record date, which will be the first day of the calendar month in which the applicable distribution falls, or such other date

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as designated by our Board of Trustees for the payment of distributions that is not more than 90 days nor fewer than 10 days prior to the distribution payment date.

Our Board of Trustees will not authorize, and we will not pay, any distributions on the Series B Preferred Shares or set aside funds for the payment of distributions if the terms of any of our agreements, including agreements relating to our indebtedness, prohibit that authorization, payment or setting aside of funds or provide that the authorization, payment or setting aside of funds is a breach of or a default under that agreement, or if the authorization, payment or setting aside of funds is restricted or prohibited by law. We are and may in the future become a party to agreements that restrict or prevent the payment of distributions on, or the purchase or redemption of, our shares of beneficial interest. Under certain circumstances, these agreements could restrict or prevent the payment of distributions on or the purchase or redemption of Series B Preferred Shares. These restrictions may be indirect (for example, covenants requiring us to maintain specified levels of net worth or assets) or direct. We do not believe that these restrictions currently have any adverse impact on our ability to pay distributions on the Series B Preferred Shares.

Notwithstanding the foregoing, distributions on the Series B Preferred Shares will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of distributions and whether or not distributions are authorized. Accrued but unpaid distributions on the Series B Preferred Shares will not bear interest, and the holders of the Series B Preferred Shares will not be entitled to any distributions in excess of full cumulative distributions as described above. All of our distributions on Series B Preferred Shares, including any capital gain distributions, will be credited to the previously accrued distributions on the Series B Preferred Shares. We will credit any distribution made on Series B Preferred Shares first to the earliest accrued and unpaid distribution due.

We will not declare or pay any distributions, or set aside any funds for the payment of distributions, on our common shares or any other shares that rank junior to the Series B Preferred Shares, if any, or redeem or otherwise acquire our common shares or other junior shares, unless we also have declared and either paid or set aside for payment the full cumulative distributions on the Series B Preferred Shares for the current and all past dividend periods. This restriction will not limit our redemption or other acquisition of shares under incentive, benefit or share purchase plans for officers, trustees or employees or others performing or providing similar services or for the purposes of enforcing restrictions upon ownership and transfer of our equity securities contained in our Declaration of Trust in order to preserve our status as a REIT.

If we do not declare and either pay or set aside for payment the full cumulative distributions on the Series B Preferred Shares and all shares that rank on a parity with Series B Preferred Shares, the amount which we have declared will be allocated pro rata to the Series B Preferred Shares and to each parity series of shares so that the amount declared for each Series B Preferred Share and for each share of each parity series is proportionate to the accrued and unpaid distributions on those shares.

## **Liquidation Rights**

In the event of our liquidation, dissolution or winding up, the holders of the Series B Preferred Shares will be entitled to be paid out of our assets legally available for distribution to our shareholders liquidating distributions in cash or property at fair market value as determined by our Board of Trustees equal to a liquidation preference of \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of the payment. Holders of Series B Preferred Shares will be entitled to receive this liquidating distribution before we distribute any assets to holders of our common shares or any other shares of beneficial interest that rank junior to the Series B Preferred Shares. The rights of holders of Series B Preferred Shares to receive their liquidation preference would be subject to preferential rights of the holders of any series of shares that is senior to the Series B Preferred Shares. Written notice will be given to each holder of Series B Preferred Shares of any such liquidation no fewer than 30 days and no more than 60 days prior to the payment date. After payment of the full amount of the liquidating distribution to which they are entitled,

the holders of Series B Preferred Shares will have no right or claim to any of our remaining assets. If we consolidate or

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merge with any other entity, sell, lease, transfer or convey all or substantially all of our property or business, or engage in a statutory share exchange, we will not be deemed to have liquidated. As of the date of this prospectus supplement, we have 5,600,000 Series A Preferred Shares outstanding with an aggregate liquidation preference of \$140,000,000. In the event our assets are insufficient to pay the full liquidating distributions to the holders of Series B Preferred Shares and all other classes or series of our equity securities ranking on a parity with the Series B Preferred Shares, including our Series A Preferred Shares, then we will distribute our assets to the holders of Series B Preferred Shares and all other classes or series of parity securities, including the Series A Preferred Shares, ratably in proportion to the full liquidating distributions they would have otherwise received.

## **Redemption**

We may not redeem the Series B Preferred Shares prior to September , 2016, except as described below under Special Optional Redemption and Restrictions on Ownership and Transfer. On and after September , 2016, upon no fewer than 30 days nor more than 60 days written notice, we may, at our option, redeem the Series B Preferred Shares, in whole or from time to time in part, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption.

We will give notice of redemption by publication in a newspaper of general circulation in the City of New York and by mail to each holder of record of Series B Preferred Shares at the address shown on our share transfer books. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series B Preferred Shares except as to the holder to whom notice was defective. Each notice will state the following:

the redemption date;

the redemption price;

the number of Series B Preferred Shares to be redeemed;

the place or places where the certificates for the Series B Preferred Shares are to be surrendered for payment; and

that distributions on the Series B Preferred Shares to be redeemed will cease to accrue on the redemption date.

If we redeem fewer than all of the Series B Preferred Shares, the notice of redemption mailed to each shareholder will also specify the number of Series B Preferred Shares that we will redeem from each shareholder. In this case, we will determine the number of Series B Preferred Shares to be redeemed on a pro rata basis, by lot or by any other equitable method we may choose in our sole discretion.

If we have given a notice of redemption and have set aside sufficient funds for the redemption in trust for the benefit of the holders of the Series B Preferred Shares called for redemption, then from and after the redemption date, those Series B Preferred Shares will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those Series B Preferred Shares will terminate. The holders of those Series B Preferred Shares will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions through the redemption date.

The holders of Series B Preferred Shares at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series B Preferred Shares on the corresponding payment date notwithstanding the redemption of the Series B Preferred Shares between such record date and the corresponding

payment date or our default in the payment of the distribution due. Except as provided above, we will make no payment or allowance for unpaid distributions, whether or not in arrears, on Series B Preferred Shares to be redeemed.

The Series B Preferred Shares have no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions, except as provided under Restrictions on Ownership and Transfer

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below. In order to ensure that we continue to meet the requirements for qualification as a REIT, the Series B Preferred Shares will be subject to the restrictions on ownership and transfer in Article VII of our Declaration of Trust.

Subject to applicable law, we may purchase Series B Preferred Shares in the open market, by tender or by private agreement. We are permitted to return any Series B Preferred Shares that we reacquire to the status of authorized but unissued shares.

### **Special Optional Redemption**

Upon the occurrence of a Change of Control, we may, at our option, redeem the Series B Preferred Shares, in whole or in part and within 120 days after the first date on which such Change of Control occurred, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption. If, prior to the Change of Control Conversion Date, we have provided or provide notice of redemption with respect to the Series B Preferred Shares (whether pursuant to our optional redemption right or our special optional redemption right), the holders of Series B Preferred Shares will not have the conversion right described below under Conversion Rights.

We will mail to you, if you are a record holder of the Series B Preferred Shares, a notice of redemption no fewer than 30 days nor more than 60 days before the redemption date. We will send the notice to your address shown on our share transfer books. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series B Preferred Shares except as to the holder to whom notice was defective. Each notice will state the following:

the redemption date;

the redemption price;

the number of Series B Preferred Shares to be redeemed;

the place or places where the certificates for the Series B Preferred Shares are to be surrendered for payment;

that the Series B Preferred Shares are being redeemed pursuant to our special optional redemption right in connection with the occurrence of a Change of Control and a brief description of the transaction or transactions constituting such Change of Control;

that the holders of the Series B Preferred Shares to which the notice relates will not be able to tender such Series B Preferred Shares for conversion in connection with the Change of Control and each Series B Preferred Share tendered for conversion that is selected, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date; and

that distributions on the Series B Preferred Shares to be redeemed will cease to accrue on the redemption date.

If we redeem fewer than all of the Series B Preferred Shares, the notice of redemption mailed to each shareholder will also specify the number of Series B Preferred Shares that we will redeem from each shareholder. In this case, we will determine the number of Series B Preferred Shares to be redeemed on a pro rata basis, by lot or by any other equitable method we may choose.

If we have given a notice of redemption and have set aside sufficient funds for the redemption in trust for the benefit of the holders of the Series B Preferred Shares called for redemption, then from and after the redemption date, those

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Series B Preferred Shares will be treated as no longer being outstanding, no further distributions will accrue and all other rights of the holders of those Series B Preferred Shares will terminate.

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The holders of those Series B Preferred Shares will retain their right to receive the redemption price for their shares and any accrued and unpaid distributions through the redemption date.

The holders of Series B Preferred Shares at the close of business on a distribution record date will be entitled to receive the distribution payable with respect to the Series B Preferred Shares on the corresponding payment date notwithstanding the redemption of the Series B Preferred Shares between such record date and the corresponding payment date or our default in the payment of the distribution due. Except as provided above, we will make no payment or allowance for unpaid distributions, whether or not in arrears, on Series B Preferred Shares to be redeemed.

A **Change of Control** is when, after the original issuance of the Series B Preferred Shares, the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our company entitling that person to exercise more than 50% of the total voting power of all shares of our company entitled to vote generally in elections of trustees (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE Amex or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ.

## **Conversion Rights**

Upon the occurrence of a Change of Control, each holder of Series B Preferred Shares will have the right, unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem the Series B Preferred Shares as described under **Redemption** or **Special Optional Redemption**, to convert some or all of the Series B Preferred Shares held by such holder (the **Change of Control Conversion Right**) on the Change of Control Conversion Date into a number of our common shares per Series B Preferred Share (the **Common Share Conversion Consideration**) equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series B Preferred Share distribution payment and prior to the corresponding Series B Preferred Share distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Share Price; and

(i.e., the Share Cap).

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common shares), subdivisions or combinations (in each case, a **Share Split**) with respect to our common shares as follows: the adjusted Share Cap as the result of a Share Split will be the number of our common shares that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of our common shares outstanding after giving effect to such Share Split and the denominator of which is the number of our common shares outstanding immediately

prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of our common shares (or equivalent Alternative Conversion Consideration (as defined below), as applicable)

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issuable in connection with the exercise of the Change of Control Conversion Right will not exceed (or equivalent Alternative Conversion Consideration, as applicable), subject to increase to the extent the underwriters exercise their overallotment option in full, not to exceed in total (or equivalent Alternative Conversion Consideration, as applicable) (the Exchange Cap ). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

In the case of a Change of Control pursuant to which our common shares will be converted into cash, securities or other property or assets (including any combination thereof) (the Alternative Form Consideration ), a holder of Series B Preferred Shares will receive upon conversion of such Series B Preferred Shares the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of our common shares equal to the Common Share Conversion Consideration immediately prior to the effective time of the Change of Control (the Alternative Conversion Consideration, and the Common Share Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, is referred to as the Conversion Consideration ).

If the holders of our common shares have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of the Series B Preferred Shares will receive will be the form and proportion of the aggregate consideration elected by the holders of our common shares who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of our common shares are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control.

We will not issue fractional common shares upon the conversion of the Series B Preferred Shares. Instead, we will pay the cash value of such fractional shares.

Within 15 days following the occurrence of a Change of Control, we will provide to holders of Series B Preferred Shares a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. This notice will state the following:

the events constituting the Change of Control;

the date of the Change of Control;

the last date on which the holders of Series B Preferred Shares may exercise their Change of Control Conversion Right;

the method and period for calculating the Common Share Price;

the Change of Control Conversion Date;

that if, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem all or any portion of the Series B Preferred Shares, holders will not be able to convert Series B Preferred Shares and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;

if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series B Preferred Share;

the name and address of the paying agent and the conversion agent; and

the procedures that the holders of Series B Preferred Shares must follow to exercise the Change of Control Conversion Right.

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We will issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series B Preferred Shares.

To exercise the Change of Control Conversion Right, a holder of Series B Preferred Shares will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) evidencing Series B Preferred Shares to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our transfer agent. The conversion notice must state:

the relevant Change of Control Conversion Date;

the number of Series B Preferred Shares to be converted; and

that the Series B Preferred Shares are to be converted pursuant to the applicable provisions of the Series B Preferred Shares.

The Change of Control Conversion Date is the date the Series B Preferred Shares are to be converted, which will be a business day that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of Series B Preferred Shares.

The Common Share Price will be: (i) the amount of cash consideration per common share, if the consideration to be received in the Change of Control by the holders of our common shares is solely cash; and (ii) the average of the closing prices for our common shares on the NYSE for the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, if the consideration to be received in the Change of Control by the holders of our common shares is other than solely cash.

Holders of Series B Preferred Shares may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state:

the number of withdrawn Series B Preferred Shares;

if certificated Series B Preferred Shares have been issued, the certificate numbers of the withdrawn Series B Preferred Shares; and

the number of Series B Preferred Shares, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the Series B Preferred Shares are held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of The Depository Trust Company ( DTC ).

Series B Preferred Shares as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided or provide notice of our election to redeem such Series B Preferred Shares, whether pursuant to our optional redemption right or our special optional

redemption right. If we elect to redeem Series B Preferred Shares that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such Series B Preferred Shares will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date \$25.00 per share, plus any accrued and unpaid distributions thereon to, but not including, the redemption date.

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We will deliver amounts owing upon conversion no later than the third business day following the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all federal and state securities laws and stock exchange rules in connection with any conversion of Series B Preferred Shares into our common shares. Notwithstanding any other provision of the Series B Preferred Shares, no holder of Series B Preferred Shares will be entitled to convert such Series B Preferred Shares for our common shares to the extent that receipt of such common shares would cause such holder (or any other person) to exceed the share ownership limits contained in our Declaration of Trust and the articles supplementary setting forth the terms of the Series B Preferred Shares, unless we provide an exemption from this limitation for such holder. See Restrictions on Ownership and Transfer, below.

These Change of Control conversion and redemption features may make it more difficult for a party to take over our company or discourage a party from taking over our company. See Risk Factors The change of control conversion feature may not adequately compensate you, and the change of control conversion and redemption features of the Series B Preferred Shares may make it more difficult for a party to take over our company or discourage a party from taking over our company.

Except as provided above in connection with a Change of Control, the Series B Preferred Shares are not convertible into or exchangeable for any other securities or property.

## **Voting Rights**

Holders of Series B Preferred Shares will have no voting rights, except as set forth below.

Whenever distributions on the Series B Preferred Shares are due but unpaid for six quarterly periods, whether or not consecutive (a Preferred Distribution Default), the number of trustees then constituting our Board of Trustees shall be increased by two and holders of the Series B Preferred Shares, voting as a single class with the holders of any other Parity Preferred Shares upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of two additional trustees to serve on our Board of Trustees (the Preferred Shares Trustees) at a special meeting called by the holders of at least 33% of the outstanding Series B Preferred Shares or the holders of at least 33% of any such other series of Parity Preferred Shares if the request is received 90 or more days before the next annual or special meeting of shareholders, or at the next annual or special meeting of shareholders, and at each subsequent annual or special meeting of shareholders until all distributions accumulated on the Series B Preferred Shares for the past distribution periods and the then-current distribution period have been paid or declared and set aside for payment in full.

If and when all accumulated distributions in arrears and distributions for the then-current distribution period on the Series B Preferred Shares shall have been paid in full or a sum sufficient for the payment is irrevocably deposited in trust for payment, the holders of the Series B Preferred Shares shall be divested of the voting rights as described in this section (subject to reversion in the event of each and every Preferred Distribution Default) and, if all accumulated distributions in arrears and the distributions for the current distribution period have been paid in full or set aside for payment in full on all other classes or series of Parity Preferred Shares upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Shares Trustee so elected shall terminate. Any Preferred Shares Trustee may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding Series B Preferred Shares when they have the voting rights set forth as described in this section (voting together as a single class with all other classes or series of Parity Preferred Shares upon which like voting rights have been conferred and are exercisable). So long as a Preferred Distribution Default shall continue, any vacancy in the office of a Preferred Shares Trustee may be filled by written consent of the Preferred Shares Trustee remaining in office or, if none remains in office, by a vote of the

holders of record of a majority of the outstanding Series B Preferred Shares when they have the voting rights set forth in this section (voting together as a single class with all other classes or series of Parity

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Preferred Shares upon which like voting rights have been conferred and are exercisable). The Preferred Shares Trustees shall each be entitled to one vote per trustee on any matter.

So long as any Series B Preferred Shares remain outstanding, we shall not, without the affirmative vote of the holders of at least two-thirds of the Series B Preferred Shares outstanding at the time: (i) authorize or create, or increase the authorized or issued amount of, any class or series of shares ranking senior to the Series B Preferred Shares with respect to payment of distributions or rights upon liquidation, dissolution or winding up of our company, or reclassify any authorized shares of our company into any such shares, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares; or (ii) amend, alter or repeal the provisions of our Declaration of Trust (including the articles supplementary), whether by merger, consolidation or otherwise, in each case in such a way that would materially and adversely affect any right, preference, privilege or voting power of the Series B Preferred Shares; provided, however, that with respect to the occurrence of a merger, consolidation or a sale or lease of all of our assets as an entirety, so long as (a) the Series B Preferred Shares remain outstanding with the terms thereof materially unchanged, or (b) the holders of the Series B Preferred Shares receive equity securities with rights, preferences, privileges and voting powers substantially the same as those of the Series B Preferred Shares, then the occurrence of any such event shall not be deemed to materially and adversely affect the rights, privileges or voting powers of the holders of the Series B Preferred Shares. In addition, any increase in the amount of authorized Series B Preferred Shares or the creation or issuance, or increase in the amounts authorized, of any other equity securities ranking on a parity with or junior to the Series B Preferred Shares with respect to payment of distributions and the distribution of assets upon liquidation, dissolution or winding up of our company, shall not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of the Series B Preferred Shares.

In any matter in which the Series B Preferred Shares are entitled to vote, each Series B Preferred Share will be entitled to one vote. If the holders of Series B Preferred Shares and another series of preferred shares, including our Series A Preferred Shares, are entitled to vote together as a single class on any matter, the Series B Preferred Shares and the shares of the other series will have one vote for each \$25.00 of liquidation preference.

## **Information Rights**

During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series B Preferred Shares are outstanding, we will (i) transmit by mail or other permissible means under the Exchange Act to all holders of Series B Preferred Shares as their names and addresses appear in our record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) within 15 days following written request, supply copies of such reports to any prospective holder of the Series B Preferred Shares. We will mail (or otherwise provide) the reports to the holders of Series B Preferred Shares within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

## **Restrictions on Ownership and Transfer**

For information regarding restrictions on ownership and transfer of the Series B Preferred Shares, see Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer in the accompanying prospectus. The articles supplementary for the Series B Preferred Shares will provide that the ownership limitation described in the accompanying prospectus applies to ownership of Series B Preferred Shares as a separate class pursuant to Article VII of our Declaration of Trust, under which Series B Preferred Shares owned by a shareholder in excess of the ownership limit will be transferred to a charitable trust and may be purchased by us under certain circumstances. Our Board of Trustees may, in its sole discretion, except a person from the ownership limit, as described in Description of Shares of

Beneficial Interest Restrictions on Ownership and Transfer in the accompanying prospectus.

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Ownership limits also apply to our common shares. See **Description of Shares of Beneficial Interest** **Restrictions on Ownership and Transfer** in the accompanying prospectus. Notwithstanding any other provision of the Series B Preferred Shares, no holder of the Series B Preferred Shares will be entitled to convert any Series B Preferred Shares into our common shares to the extent that receipt of our common shares would cause such holder or any other person to exceed the ownership limits contained in our Declaration of Trust or in the articles supplementary for the Series B Preferred Shares.

## **Preemptive Rights**

No holders of the Series B Preferred Shares shall, as the holders, have any preemptive rights to purchase or subscribe for our common shares or any other security of our company.

## **Book-Entry Procedures**

DTC will act as securities depository for the Series B Preferred Shares. We will issue one or more fully registered global securities certificates in the name of DTC's nominee, Cede & Co. These certificates will represent the total aggregate number of Series B Preferred Shares. We will deposit these certificates with DTC or a custodian appointed by DTC. We will not issue certificates to you for the Series B Preferred Shares that you purchase, unless DTC's services are discontinued as described below.

Title to book-entry interests in the Series B Preferred Shares will pass by book-entry registration of the transfer within the records of DTC in accordance with its procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC. Each person owning a beneficial interest in the Series B Preferred Shares must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series B Preferred Shares.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ( **Direct Participants** ) deposit with DTC. DTC also facilitates the settlement among **Direct Participants** of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in **Direct Participants** accounts, thereby eliminating the need for physical movement of securities certificates. **Direct Participants** include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, including the underwriters, banks and trust companies that clear through or maintain a custodial relationship with a **Direct Participant**, either directly or indirectly ( **Indirect Participants** ). The rules applicable to DTC and its **Direct** and **Indirect Participants** are on file with the SEC.

When you purchase the Series B Preferred Shares within the DTC system, the purchase must be by or through a **Direct Participant**. The **Direct Participant** will receive a credit for the Series B Preferred Shares on DTC's records. You, as the actual owner of the Series B Preferred Shares, are the beneficial owner. Your beneficial ownership interest will be recorded on the **Direct** and **Indirect Participants** records, but DTC will have no knowledge of your individual ownership. DTC's records reflect only the identity of the **Direct Participants** to whose accounts Series B Preferred Shares are credited.

You will not receive written confirmation from DTC of your purchase. The **Direct** or **Indirect Participants** through whom you purchased the Series B Preferred Shares should send you written confirmations providing details of your transactions, as well as periodic statements of your holdings. The **Direct** and **Indirect Participants** are responsible for keeping an accurate account of the holdings of their customers like you.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

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Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC's existing practices, in the event that we request any action of the holders, or an owner of a beneficial interest in a global security such as you desires to take any action which a holder is entitled to take under our charter, DTC would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any redemption notices with respect to the Series B Preferred Shares will be sent to Cede & Co. If less than all of the Series B Preferred Shares are being redeemed, DTC will reduce each Direct Participant's holdings of Series B Preferred Shares in accordance with its procedures.

In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to the Series B Preferred Shares. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the Series B Preferred Shares are credited to on the record date, which are identified in a listing attached to the omnibus proxy.

Distributions on the Series B Preferred Shares will be made directly to DTC's nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name. These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.

DTC may discontinue providing its services as securities depository with respect to the Series B Preferred Shares at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to the Series B Preferred Shares. In that event, we will print and deliver certificates in fully registered form for the Series B Preferred Shares. If DTC notifies us that it is unwilling to continue as securities depository, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue the Series B Preferred Shares in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

## **Global Clearance and Settlement Procedures**

Initial settlement for the Series B Preferred Shares will be made in immediately available funds. Secondary market trading among DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.



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**ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS**

*The following is a summary of certain additional federal income tax considerations with respect to the ownership of the Series B Preferred Shares. This summary supplements, and should be read together with, the discussion under Material Federal Income Tax Considerations in the accompanying prospectus.*

The federal income tax treatment of holders of the Series B Preferred Shares depends in some instances on determinations of fact and interpretations of complex provisions of federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular holders of the Series B Preferred Shares will depend on the shareholder's particular tax circumstances. You are urged to consult your tax advisor regarding the federal, state, local and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging or otherwise disposing of the Series B Preferred Shares.

**Redemptions of the Series B Preferred Shares**

For a discussion of the federal income tax treatment of redemptions of the Series B Preferred Shares generally, please refer to Material Federal Income Tax Considerations Taxation of U.S. Shareholders on a Redemption of Preferred Shares.

Under proposed Treasury regulations, if any portion of the amount received by a shareholder on a redemption of the Series B Preferred Shares is treated as a distribution with respect to our shares but not as a taxable dividend, then such portion will be allocated to all shares held by the shareholder just before the redemption on a pro-rata, share-by-share, basis. The amount applied to each share will first reduce the shareholder's basis in that share and any excess after the basis is reduced to zero will result in taxable gain. If the shareholder has different bases in its shares, then the amount allocated could reduce some of the basis in certain shares while reducing all the basis and giving rise to taxable gain in others. Thus the shareholder could have gain even if the shareholder's basis in all its shares exceeded such portion.

The proposed Treasury regulations permit the transfer of basis in the redeemed shares of the Series B Preferred Shares to the shareholder's remaining, unredeemed Series B Preferred Shares (if any), but not to any other class of shares held (directly or indirectly) by the shareholder. Instead, any unrecovered basis in the Series B Preferred Shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. The proposed Treasury regulations would be effective for transactions that occur after the date the regulations are published as final Treasury regulations. There can, however, be no assurance as to whether, when and in what particular form such proposed Treasury regulations will ultimately be finalized.

**Conversions of the Series B Preferred Shares**

Except as provided below, (i) a shareholder generally will not recognize gain or loss upon the conversion of the Series B Preferred Shares into our common shares, and (ii) a shareholder's basis and holding period in our common shares received upon conversion generally will be the same as those of the converted Series B Preferred Shares (but the basis will be reduced by the portion of adjusted tax basis allocated to any fractional share exchanged for cash). Any of our common shares received in a conversion that are attributable to accumulated and unpaid dividends on the converted Series B Preferred Shares will be treated as a distribution that is potentially taxable as a dividend. Cash received upon conversion in lieu of a fractional share generally will be treated as a payment in a taxable exchange for such fractional share, and gain or loss will be recognized on the receipt of cash in an amount equal to the difference between the amount of cash received and the adjusted tax basis allocable to the fractional share deemed exchanged.

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This gain or loss will be long-term capital gain or loss if the U.S. shareholder has held the Series B Preferred Shares for more than one year at the time of conversion. Shareholders are urged to consult with their tax advisors regarding the federal income tax consequences of any transaction by which such holder exchanges shares received on a conversion of Series B Preferred Shares for cash or other property.

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**UNDERWRITING**

Subject to the terms and conditions contained in an underwriting agreement among us, our operating partnership, and the underwriters named below, for whom Raymond James & Associates, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are acting as representatives, we have agreed to sell to the underwriters, and the underwriters have agreed, severally and not jointly, to purchase from us, the respective number of Series B Preferred Shares shown opposite their names below:

<b>Underwriter</b>	<b>Number of Shares</b>
Raymond James & Associates, Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Wells Fargo Securities, LLC	
Citigroup Global Markets Inc.	
RBC Capital Markets, LLC	
Robert W. Baird & Co. Incorporated	
Janney Montgomery Scott LLC	
Morgan Keegan & Company, Inc.	
Stifel, Nicolaus & Company, Incorporated	
Total	

The underwriters have agreed, severally and not jointly, to purchase all of the Series B Preferred Shares sold under the underwriting agreement if any of those Series B Preferred Shares are purchased, other than those Series B Preferred Shares covered by the overallotment option described below.

We have agreed to indemnify the underwriters and their respective controlling persons against specified liabilities in connection with this offering, including liabilities under the Securities Act of 1933, as amended (the Securities Act ), or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Series B Preferred Shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by counsel and other conditions such as the receipt by the underwriters of officers' certificates, comfort letters and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The representatives have advised us that they propose initially to offer the Series B Preferred Shares to the public at the public offering price appearing on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of \$ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$ per share to other dealers. After the initial offering, the public offering price and other selling terms may be changed.

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The following table shows the per share and total public offering price, the underwriting discount and proceeds before expenses to us. This information assumes either no exercise or full exercise by the underwriters of their overallotment option described below.

	<b>Per Share</b>	<b>Without Option</b>	<b>Total With Option</b>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

The expenses of the offering, exclusive of the underwriting discount, are estimated at approximately \$200,000 and are payable by us.

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### **Overallotment Option**

We have granted an option to the underwriters to purchase up to \_\_\_\_\_ additional Series B Preferred Shares at the public offering price appearing on the cover page of this prospectus supplement, less the underwriting discount, solely to cover overallotments. To the extent this option is exercised, each underwriter will become obligated, subject to conditions, to purchase a number of additional Series B Preferred Shares approximately proportionate to its initial purchase commitment. The underwriters may exercise this option for 30 days from the date of this prospectus supplement. If any additional Series B Preferred Shares are purchased, the underwriters will offer the additional Series B Preferred Shares on the same terms as those on which the \_\_\_\_\_ Series B Preferred Shares are being offered.

### **No Sales of Series B Preferred Shares**

We have agreed that, for a period of 30 days after the date of this prospectus supplement and subject to certain exceptions, we will not, directly or indirectly, without the prior written consent of Raymond James & Associates, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or lend or otherwise transfer or dispose of any Series B Preferred Shares or any securities convertible into or exercisable or exchangeable for or repayable with Series B Preferred Shares, whether owned as of the date hereof or hereafter acquired or with respect to which we have acquired or hereafter acquire the power of disposition, or file, or cause to be filed, any registration statement under the Securities Act with respect to any of the foregoing (collectively, the Lock-Up Securities ) or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap, agreement or transaction is to be settled by delivery of Series B Preferred Shares or other securities, in cash or otherwise.

### **New York Stock Exchange Listing**

No market currently exists for the Series B Preferred Shares. We intend to file an application to list the Series B Preferred Shares on the NYSE under the symbol PEBPrB. If listing is approved, we expect trading to commence within 30 days after the initial delivery of the Series B Preferred Shares. The underwriters have advised us that they intend to make a market in the Series B Preferred Shares before commencement of trading on the NYSE. They will have no obligation to make a market in the Series B Preferred Shares, however, and may cease market-making activities, if commenced, at any time.

### **Price Stabilization and Short Positions**

Until the distribution of the Series B Preferred Shares is completed, SEC rules may limit the ability of the underwriters to bid for or purchase the Series B Preferred Shares. However, the representatives may engage in transactions that have the effect of stabilizing the price of the Series B Preferred Shares, such as purchases that peg, fix or maintain that price.

If the underwriters create a short position in the Series B Preferred Shares in connection with this offering, i.e., if they sell more Series B Preferred Shares than are listed on the cover page of this prospectus supplement, the underwriters may reduce that short position by purchasing Series B Preferred Shares in the open market. The underwriters may also elect to reduce any short position by exercising all or part of the overallotment option described above. Purchases of Series B Preferred Shares that stabilize the per share price or to reduce a short position may cause the price of the Series B Preferred Shares to be higher than it might be in the absence of those purchases.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series B Preferred Shares. In addition, neither we nor the underwriters make any representation that the underwriters will engage in those transactions or that those transactions, once commenced, will not be discontinued without notice.

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### **United Kingdom**

Each underwriter shall be deemed to have represented, warranted and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA )) received by it in connection with the issue or sale of the Series B Preferred Shares in circumstances in which Section 21(1) of the FSMA does not apply to our company; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Series B Preferred Shares in, from or otherwise involving the United Kingdom.

### **European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ), an offer to the public of Series B Preferred Shares which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Series B Preferred Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by our company for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Series B Preferred Shares shall require our company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer common shares to the public in relation to any Series B Preferred Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series B Preferred Shares to be offered so as to enable an investor to decide to purchase or subscribe to the Series B Preferred Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

### **Other Relationships**

The underwriters and their respective affiliates have engaged in, and may in the future engage in, investment banking, commercial banking and other commercial dealings in the ordinary course of business with us and our affiliates, for which they have received and may continue to receive customary fees and commissions. Raymond James Bank, FSB, an affiliate of Raymond James & Associates, Inc., Bank of America, N.A., an affiliate of Merrill Lynch, Pierce,

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Fenner & Smith Incorporated, Wells Fargo Bank, N.A., an affiliate of Wells Fargo Securities, LLC, Citibank, N.A., an affiliate of Citigroup Global Markets Inc., Regions Bank, an affiliate of Morgan Keegan & Company, Inc., and Royal Bank of Canada, an affiliate of RBC Capital Markets, LLC, are lenders under our senior unsecured revolving credit facility. Additionally, Wells Fargo Bank, N.A., an affiliate of Wells Fargo Securities, LLC, acts as our transfer agent.

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In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of us or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Series B Preferred shares offered hereby. Any such short positions could adversely affect future trading prices of the Series B Preferred shares offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**LEGAL MATTERS**

Certain legal matters in connection with this offering will be passed upon for us by Hunton & Williams LLP. Venable LLP, Baltimore, Maryland, will issue an opinion to us regarding certain matters of Maryland law, including the validity of the Series B Preferred Shares offered by this prospectus supplement. Sidley Austin llp, New York, New York, will act as counsel to the underwriters.

**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

SEC rules allow us to incorporate by reference information into this prospectus supplement and the accompanying prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. Any information referred to in this way is considered part of this prospectus supplement and the accompanying prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus supplement and the accompanying prospectus and before the date that the offering of Series B Preferred Shares by means of this prospectus supplement and the accompanying prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus supplement and the accompanying prospectus or incorporated by reference into this prospectus supplement and the accompanying prospectus. We incorporate by reference into this prospectus supplement and the accompanying prospectus the following documents or information filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 23, 2011;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, filed with the SEC on April 28, 2011 and August 2, 2011, respectively;

the information specifically incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2010 from our Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 25, 2011; and

our Current Reports on Form 8-K, filed with the SEC on January 7, 2011, January 26, 2011, February 14, 2011, February 22, 2011, February 23, 2011, March 11, 2011, March 16, 2011, March 28, 2011, March 31, 2011, April 7, 2011, April 8, 2011, April 26, 2011, April 27, 2011, May 3, 2011, May 6, 2011, May 10, 2011, May 23, 2011, May 27, 2011, June 3, 2011, June 8, 2011, June 10, 2011, June 15, 2011, June 24, 2011, July 14, 2011 and August 4, 2011.

All documents that we file (but not those that we furnish) pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus supplement and the accompanying prospectus and prior to the termination of the offering of the Series B Preferred Shares covered under this prospectus

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supplement and the accompanying prospectus shall be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus and will automatically update and supersede the information in this prospectus supplement, the accompanying prospectus and any previously filed documents. You may read and copy any documents filed by us at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet website [www.sec.gov](http://www.sec.gov) and through the NYSE, 20 Broad Street, New York, New York 10005, on which the Series B Preferred Shares will be listed.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement is delivered, upon his or her written or oral request, a copy of any or all documents referred to above that have been or may be incorporated by reference into this prospectus supplement and the accompanying prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. Requests for those documents should be directed to us as follows: Pebblebrook Hotel Trust, 2 Bethesda Metro Center, Suite 1530, Bethesda, Maryland 20814, Attn: Chief Financial Officer, Telephone: (240) 507-1330.

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**PROSPECTUS**

**PEBBLEBROOK HOTEL TRUST**

**Common Shares**