

HERSHA HOSPITALITY TRUST
Form S-3ASR
May 22, 2014

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

As filed with the Securities and Exchange Commission on May 22, 2014

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

Form S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HERSHA HOSPITALITY TRUST

(Exact Name of Registrant as Specified in its Charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

251811499

(I.R.S. Employer
Identification No.)

**44 Hersha Drive
Harrisburg, Pennsylvania 17102
(717) 236-4400**

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

**Ashish R. Parikh
Chief Financial Officer
44 Hersha Drive
Harrisburg, Pennsylvania 17102
(717) 236-4400**

(Name, Address, Including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

Copies to:

**James S. SeEVERS, Jr.
David S. Freed
Hunton & Williams LLP
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, Virginia 23219-4074
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Fax (804) 788-8218**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Register	Amount to be Registered/ Proposed Maximum Offering Price per Unit/Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Priority Class A common shares of beneficial interest, \$0.01 par value per share		
Preferred shares of beneficial interest, \$0.01 par value per share		
Depository shares representing preferred shares(3)		
Warrants(4)		
Units		
Total	(1)(2)	(1)(2)

(1) This registration statement covers an unspecified amount of securities of each identified class of securities.

(2) An unspecified aggregate initial offering price or number of the securities of each identified class is being registered as may from time to time be offered at unspecified prices. Separate consideration may or may not be received for securities that are issuable upon exercise, exchange or conversion of other securities. In reliance on Rules 456(b) and 457(r) under the Securities Act of 1933, as amended, the registrant is deferring payment of all of the registration fees.

(3) Each depository share will be issued under a deposit agreement, will represent an interest in a fractional preferred share and will be evidenced by a depository receipt.

(4) Includes warrants to purchase common shares and preferred shares.

Table of Contents

PROSPECTUS

**Priority Class A Common Shares
Preferred Shares
Depositary Shares
Warrants
Units**

Hersha Hospitality Trust intends to offer and sell, from time to time, in one or more series or classes, the securities described in this prospectus. The securities may be offered separately or together in any combination and as separate series. We will provide the specific terms of any securities we may offer in a supplement to this prospectus. You should read carefully this prospectus and any accompanying prospectus supplement before deciding to invest in these securities.

We may offer and sell these securities through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. If any underwriters, dealers or agents are involved in the sale of any securities, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them will be set forth or will be calculable from the information set forth in the accompanying prospectus supplement.

Our common shares are listed on the New York Stock Exchange, or the NYSE, under the symbol "HT". The closing sale price of our common shares on the NYSE on May 21, 2014, was \$6.34 per share.

Investing in our securities involves risks. Before making a decision to invest in our securities, you should carefully consider the risks described in this prospectus and any accompanying prospectus supplement, as well as the risks described under the section entitled "Risk Factors" included in our most recent Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q and other documents filed by us with the Securities and Exchange Commission.

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

The date of this prospectus is May 22, 2014

Table of Contents

TABLE OF CONTENTS

<u>About This Prospectus</u>	<u>ii</u>
<u>Incorporation of Certain Documents By Reference</u>	<u>iii</u>
<u>Where You Can Obtain More Information</u>	<u>iv</u>
<u>Forward-Looking Statements</u>	<u>v</u>
<u>Trade Names, Logos and Trademarks</u>	<u>vii</u>
<u>The Company</u>	<u>1</u>
<u>Risk Factors</u>	<u>2</u>
<u>Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends</u>	<u>4</u>
<u>Use of Proceeds</u>	<u>5</u>
<u>Description of Shares of Beneficial Interest</u>	<u>6</u>
<u>Description of Depositary Shares</u>	<u>13</u>
<u>Description of Warrants</u>	<u>17</u>
<u>Description of Units</u>	<u>18</u>
<u>Legal Ownership of Securities</u>	<u>19</u>
<u>Restrictions on Ownership and Transfer</u>	<u>22</u>
<u>Certain Provisions of Maryland Law, Our Declaration of Trust and Bylaws</u>	<u>24</u>
<u>Federal Income Tax Consequences of Our Status as a REIT</u>	<u>30</u>
<u>Plan of Distribution</u>	<u>58</u>
<u>Legal Matters</u>	<u>61</u>
<u>Experts</u>	<u>62</u>

You should rely only on the information contained or incorporated by reference in this prospectus and the accompanying prospectus supplements. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. You must not rely on any unauthorized information or representation. We are offering to sell only the securities described in this prospectus and the accompanying prospectus supplement only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus and the accompanying prospectus supplement is accurate only as of the date on the front of the document and that any information incorporated by reference is accurate only as of the date of the document containing the incorporated information. Our business, financial condition, results of operations and prospects may have changed since that date.

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a "shelf" registration statement that we have filed with the Securities and Exchange Commission, or the SEC. By using a shelf registration statement, we may sell, at any time and from time to time, in one or more offerings, any combination of the securities described in this prospectus. The exhibits to our registration statement and documents incorporated by reference contain the full text of certain contracts and other important documents that we have summarized in this prospectus or that we may summarize in a prospectus supplement. Since these summaries may not contain all the information that you may find important in deciding whether to purchase the securities we offer, you should review the full text of these documents. The registration statement and the exhibits and other documents can be obtained from the SEC as indicated under the sections entitled "Where You Can Find More Information" and "Incorporation of Certain Documents By Reference."

This prospectus only provides you with a general description of the securities we may offer, which is not meant to be a complete description of each security. Each time we sell securities, we will provide a prospectus supplement that contains specific information about the terms of those securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. You should read carefully both this prospectus and any prospectus supplement together with the additional information described under the sections entitled "Where You Can Find More Information" and "Incorporation of Certain Documents By Reference."

Unless the context otherwise requires, references in this prospectus and any prospectus supplement to: (i) "our company," "we," "us" and "our" mean Hersha Hospitality Trust and its subsidiaries, including Hersha Hospitality Limited Partnership, our operating partnership; (ii) "common shares" mean our Priority Class A common shares of beneficial interest, \$0.01 par value per share; and (iii) "preferred shares" mean our preferred shares of beneficial interest, \$0.01 par value per share.

Table of Contents

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus the information we file with the SEC, which means that we can disclose important business, financial and other information to you by referring you to other documents separately filed with the SEC. All information incorporated by reference is part of this prospectus from the date we file that document, unless and until that information is updated and superseded by the information contained in this prospectus or any information incorporated later. We incorporate by reference the documents listed below that we have filed, or will file, with the SEC:

our Annual Report on Form 10-K for the year ended December 31, 2013;

the information specifically incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2013 from our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 17, 2014;

our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014;

our Current Reports on Form 8-K filed with the SEC on February 26, 2014 and March 6, 2014;

the description of our common shares contained in our Registration Statement on Form 8-A filed with the SEC on May 2, 2008 and any amendments or reports filed for the purpose of updating such description;

the description of our 8.00% Series B cumulative redeemable preferred shares of beneficial interest, or Series B preferred shares, contained in our Registration Statement on Form 8-A filed with the SEC on May 17, 2011 and any amendments or reports filed for the purpose of updating such description; and

the description of our 6.875% Series C cumulative redeemable preferred shares of beneficial interest, or Series C preferred shares, contained in our Registration Statement on Form 8-A filed with the SEC on March 1, 2013 and any amendments or reports filed for the purpose of updating such description.

We are not incorporating by reference any documents or portions thereof, whether specifically listed above or filed in the future, that are not deemed "filed" with the SEC, including any information furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K. In addition, all documents subsequently filed by us with the SEC pursuant to Sections 13(a), 13(c) 14 or 15(d) of the Exchange Act on or after the date of this prospectus and prior to the date upon which the offering of the securities covered by this prospectus is terminated will be deemed to be incorporated by reference into this prospectus and will automatically update and supersede the information in this prospectus, the accompanying prospectus supplement and any previously filed documents. You may obtain copies of these filings (other than exhibits and schedules to such filings, unless such exhibits or schedules are specifically incorporated by reference into this prospectus or any accompanying prospectus supplement) at no cost, by requesting them from us by writing or telephoning us at: Hersha Hospitality Trust, 501 Walnut Street, 9th Floor, Philadelphia, Pennsylvania 19106, Telephone: (215) 238 1046, Attention: Ashish R. Parikh, Chief Financial Officer.

Table of Contents

WHERE YOU CAN OBTAIN MORE INFORMATION

We are subject to the informational requirements of the Exchange Act, and, in accordance with those requirements, file reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information, as well as the registration statement and the exhibits and schedules thereto, can be inspected at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials may be obtained at prescribed rates. Information about the operation of the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is *www.sec.gov*. Copies of these documents may be available on our website at *www.hersha.com*. Our website and the information contained therein or connected thereto are not incorporated into this prospectus or any amendment or supplement to this prospectus.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933, as amended, or the Securities Act, with respect to the securities offered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules, certain parts of which are omitted in accordance with the SEC's rules and regulations. For further information about us and the securities, we refer you to the registration statement and to such exhibits and schedules. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C. as well as through the SEC's website. Please be aware that statements in this prospectus referring to a contract or other document are summaries and you should refer to the exhibits that are part of the registration statement for a copy of the contract or document.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus and any accompanying prospectus supplement, including the information incorporated by reference in this prospectus and any accompanying prospectus supplement, contain forward-looking statements within the meaning of the federal securities laws. These statements include statements about our plans, strategies and prospects and involve known and unknown risks that are difficult to predict. Therefore, our actual results, performance or achievements may differ materially from those expressed in or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "forecast," "potential," "continue," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. You should not place undue reliance on forward-looking statements. Factors that may cause our actual results to differ materially from our current expectations include, but are not limited to:

general volatility of the capital markets and the market price of our securities;

changes in our business or investment strategy;

availability, terms and deployment of capital;

availability of qualified personnel;

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

the degree and nature of our competition;

financing risks, including the risk of leverage and the corresponding risk of default on our mortgage loans and other debt and potential inability to refinance or extend the maturity of existing indebtedness;

levels of spending in the business, travel and leisure industries, as well as consumer confidence;

declines in occupancy, average daily rate and revenue per available room and other hotel operating metrics;

hostilities, including future terrorist attacks, or fear of hostilities that affect travel;

financial condition of, and our relationships with, our joint venture partners, third-party property managers, franchisors and hospitality joint venture partners;

the degree and nature of our competition;

increased interest rates and operating costs;

risks associated with potential acquisitions, including the ability to ramp up and stabilize newly acquired hotels with limited or no operating history, and dispositions of hotel properties;

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availability of and our ability to retain qualified personnel;

our failure to maintain our qualification as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code;

environmental uncertainties and risks related to natural disasters;

changes in real estate and zoning laws and increases in real property tax rates; and

the factors referenced or incorporated by reference in this prospectus and any prospectus supplement, as well as the factors described under the section entitled "Risk Factors" included

v

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Table of Contents

in our most recent Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q and other documents filed by us with the SEC.

These factors are not necessarily all of the important factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors, many of which are beyond our control, also could harm our results, performance or achievements.

All forward-looking statements contained in this prospectus and any accompanying prospectus supplement, including the information incorporated by reference in this prospectus and any accompanying prospectus supplement, are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Table of Contents

TRADE NAMES, LOGOS AND TRADEMARKS

All brand and trade names, logos or trademarks contained, or referred to, in this prospectus and any accompanying prospectus supplement, as well as any document incorporated by reference in this prospectus and any accompanying prospectus supplement, are the properties of their respective owners. These references shall not in any way be construed as participation by, or endorsement of, the offering of any of our securities by any of our franchisors or managers.

"Residence Inn by Marriott," "Courtyard by Marriott," "SpringHill Suites by Marriott," "Fairfield Inn by Marriott" and "TownePlace Suites by Marriott" are registered trademarks of Marriott International, Inc. or one of its affiliates. All references below to "Marriott" mean Marriott International, Inc. and all of its affiliates and subsidiaries, and their respective officers, directors, agents, employees, accountants and attorneys.

"Hilton," "Hilton Hotels," "Hilton Garden Inn" and "Hampton Inn" are registered trademarks of Hilton Worldwide or one of its affiliates. All references below to "Hilton" mean Hilton Worldwide and all of its affiliates and subsidiaries, and their respective officers, directors, agents, employees, accountants and attorneys.

"Hyatt," "Hyatt Place" and "Hyatt HouseTM" are registered trademarks of Hyatt Corporation or one of its affiliates. All references below to "Hyatt" mean Hyatt Corporation and/or its affiliates or subsidiaries, and/or their respective officers, directors, agents, employees, accountants and attorneys.

"Sheraton Hotels" is a registered trademark of Starwood Hotels & Resorts Worldwide, Inc. or one of its affiliates. All references below to "Starwood" mean Starwood Hotels & Resorts Worldwide, Inc. and all of its affiliates and subsidiaries, and their respective officers, directors, agents, employees, accountants and attorneys.

"Candlewood Suites," "Holiday Inn," "Holiday Inn Express" and "Holiday Inn Express Hotel and Suites" are registered trademarks of InterContinental Hotels Group or one of its affiliates. All references below to "InterContinental" mean InterContinental Hotels Group and all of its affiliates and subsidiaries, and their respective officers, directors, agents, employees, accountants and attorneys.

"Comfort Inn" is a registered trademark of Choice Hotels International, Inc. or one of its affiliates. All references below to "Choice" mean Choice Hotels International, Inc. and all of its affiliates and subsidiaries, and their respective officers, directors, agents, employees, accountants and attorneys.

"Hawthorn Suites by Wyndham" is a registered trademark of Wyndham Hotels and Resorts, LLC or one of its affiliates. All references below to "Wyndham" mean Wyndham Hotels and Resorts, LLC and all of its affiliates and subsidiaries, and their respective officers, directors, agents, employees, accountants and attorneys.

None of Marriott, Hilton, Hyatt, Starwood, InterContinental, Choice or Wyndham is responsible for the content of this prospectus and any accompanying prospectus supplement, as well as the information incorporated by reference in this prospectus and any accompanying prospectus supplement, whether relating to hotel information, operating information, financial information, its relationship with us or otherwise. None of Marriott, Hilton, Hyatt, Starwood, InterContinental, Choice or Wyndham is involved in any way, whether as an "issuer" or "underwriter" or otherwise, in the offering by us of the securities covered by this prospectus and any accompanying prospectus supplement. None of Marriott, Hilton, Hyatt, Starwood, InterContinental, Choice or Wyndham has expressed any approval or disapproval regarding the offering of securities pursuant to this prospectus and any accompanying prospectus supplement, and the grant by any of them of any franchise or other rights to us shall not be construed as any expression of approval or disapproval. None of Marriott, Hilton, Hyatt, Starwood, InterContinental, Choice or Wyndham has assumed, and none shall have, any liability in connection with the offering of securities contemplated by this prospectus and any accompanying prospectus supplement.

Table of Contents

THE COMPANY

Hersha Hospitality Trust is a self-advised Maryland real estate investment trust that was organized in 1998 and completed its initial public offering in January of 1999. Our common shares are traded on the NYSE under the symbol "HT". Our Series B preferred shares are traded on the NYSE under the symbol "HT PRB". Our Series C preferred shares are traded on the NYSE under the symbol "HT PRC". We invest primarily in institutional grade hotels in major urban gateway markets including New York, Washington DC, Boston, Philadelphia, San Diego, Los Angeles and Miami. Our primary strategy is to continue to acquire high quality, upscale, mid-scale and extended-stay hotels in metropolitan markets with high barriers to entry in the markets with similar characteristics. We have operated and intend to continue to operate so as to qualify as a REIT for federal income tax purposes.

We own our hotels and our joint venture investments through our operating partnership, for which we serve as the sole general partner. Our hotels are managed by qualified independent management companies, including, among others, Hersha Hospitality Management, L.P., or HHMLP, a private management company owned by certain of our trustees, officers and other third party investors. We lease all of our wholly-owned hotels either to 44 New England Management Company, or 44 New England, our wholly-owned taxable REIT subsidiary, or TRS, or to a wholly owned subsidiary of 44 New England. Each of the hotels that we own through a joint venture investment is leased to another TRS that is owned by the respective joint venture or an entity owned in part by 44 New England.

Our principal executive office is located at 44 Hersha Drive, Harrisburg, Pennsylvania 17102. Our telephone number is (717) 236-4400.

Table of Contents

RISK FACTORS

Investing in our securities involves a high degree of risk. Before making a decision to invest in our securities, you should carefully consider the risks described in this prospectus and any accompanying prospectus supplement, as well as the risks described under the section entitled "Risk Factors" included in our most recent Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q and other documents filed by us with the SEC. These risks and uncertainties are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. See "Incorporation of Certain Documents by Reference" and "Where You Can Obtain More Information" above.

We may change our distribution policy in the future.

In the past we have reduced the quarterly distribution paid to our shareholders, and we may reduce the quarterly distribution paid to our shareholders in the future. The decision to declare and pay distributions on our common shares in the future, as well as the timing, amount and composition of any such future distributions, will be at the sole discretion of our board of trustees and will depend on our earnings, funds from operations, liquidity, financial condition, capital requirements, contractual prohibitions or other limitations under our indebtedness and preferred shares, the annual distribution requirements under the REIT provisions of the Code, state law and such other factors as our board of trustees deems relevant. Any change in our distribution policy could have a material adverse effect on the market price of our common shares.

The market price of our securities could be volatile and could decline, resulting in a substantial or complete loss of your investment in our securities.

The stock markets have experienced significant price and volume fluctuations. As a result, the market price of our securities could be similarly volatile, and investors in our securities may experience a decrease in the value of their investments, including decreases unrelated to our operating performance or prospects. The market price of our securities could be subject to wide fluctuations in response to a number of factors, including:

our operating performance and the performance of other similar companies;

actual or anticipated differences in our operating results;

changes in our revenues or earnings estimates or recommendations by securities analysts;

publication of research reports about us or our industry by securities analysts;

additions and departures of key personnel;

strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;

the passage of legislation or other regulatory developments that adversely affect us or our industry;

speculation in the press or investment community;

actions by institutional shareholders;

changes in accounting principles;

terrorist acts; and

general market conditions, including factors unrelated to our performance.

Table of Contents

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Future sales of our common shares or securities convertible into or exchangeable or exercisable for our common shares could depress the market price of our common shares.

We cannot predict whether future sales of our common shares or securities convertible into or exchangeable or exercisable for our common shares or the availability of these securities for resale in the open market will decrease the market price of our common shares. Sales of a substantial number of these securities in the public market, including sales upon the redemption of operating partnership units held by the limited partners of our operating partnership (other than us and our subsidiaries) or the perception that these sales might occur, may cause the market price of our common shares to decline and you could lose all or a portion of your investment.

Future issuances of our common shares or other securities convertible into or exchangeable or exercisable for our common shares, including, without limitation, operating partnership units in connection with property, portfolio or business acquisitions and issuances of equity-based awards to participants in our equity incentive plans, could have an adverse effect on the market price of our common shares. Future issuances of these securities also could adversely affect the terms upon which we obtain additional capital through the sale of equity securities. In addition, future sales or issuances of our common shares may be dilutive to existing shareholders.

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 three months ended March 31, 2014 and for each of the last five fiscal years.

	Three Months Ended		Year Ended December 31,			
	March 31, 2014	2013	2012	2011	2010	2009
Ratio of earnings to combined fixed charges and preferred share dividends	*	1.03	*	*	*	*

*

For the three months ended March 31, 2014, combined fixed charges and preferred share dividends exceeded earnings by approximately \$8.7 million. For the years ended December 31, 2012, 2011, 2010 and 2009, combined fixed charges and preferred share dividends exceeded earnings by approximately \$7.9 million, approximately \$12.9 million, approximately \$17.5 million and approximately \$37.5 million, respectively.

The ratio of earnings to combined fixed charges and preferred share dividends was computed by dividing earnings by the sum of fixed charges and preferred share dividends. For these purposes, earnings have been calculated by adding pre-tax income or loss from continuing operations (before income or loss from equity investees), fixed charges (excluding interest capitalized), amortization of capitalized interest, extraordinary items and preferred share dividends. Fixed charges consist of interest costs, whether expensed or capitalized, amortization of line of credit fees and amortization of interest rate caps and swap agreements. Preferred share dividends consist of the amount of pre-tax earnings that is required to pay the dividends on our outstanding preferred shares.

Table of Contents

USE OF PROCEEDS

We will contribute the net proceeds of any sale of securities pursuant to this prospectus to our operating partnership in exchange for additional operating partnership units. As will be more fully described in an accompanying prospectus supplement, we expect to use the net proceeds from the sale of the securities for general trust purposes, including, but not limited to, repaying existing indebtedness, acquiring or developing additional hotel properties, and renovating, expanding and improving our existing hotel properties.

Table of Contents

DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

The following descriptions of the material terms of our shares of beneficial interest are only a summary and are subject to, and qualified in their entirety by reference to, Maryland law and our declaration of trust, including the applicable articles supplementary, and our amended and restated bylaws, or our bylaws, copies of which are exhibits to the registration statement of which this prospectus is a part. Please note that in this section entitled "Description of Shares of Beneficial Interest," references to "we," "our," "our company" and "us" refer only to Hersha Hospitality Trust and not to its subsidiaries or our operating partnership unless the context requires otherwise.

Overview

Our declaration of trust provides that we may issue up to 300,000,000 Priority Class A common shares of beneficial interest, \$0.01 par value per share, 1,000,000 Class B common shares of beneficial interest, \$0.01 par value per share, and 29,000,000 preferred shares of beneficial interest, \$0.01 par value per share, of which (i) 4,600,000 shares have been designated as 8.00% Series B cumulative redeemable preferred shares of beneficial interest, \$0.01 par value per share, and (ii) 3,000,000 shares have been designated as 6.875% Series C cumulative redeemable preferred shares of beneficial interest, \$0.01 par value per share. As of the date of this prospectus, 200,624,864 Priority Class A common shares were issued and outstanding, no Class B common shares were issued and outstanding, 4,600,000 Series B preferred shares were issued and outstanding and 3,000,000 Series C preferred shares were issued and outstanding.

Our common shares currently trade on the NYSE under the symbol "HT", our Series B preferred shares currently trade on the NYSE under symbol "HTPRB" and our Series C preferred shares currently trade on the NYSE under symbol "HTPRC". The transfer agent for these shares is American Stock Transfer & Trust Company. Our common shares, our Series B preferred shares and our Series C preferred shares are subject to certain restrictions on ownership and transfer which were adopted for the purpose of enabling us to preserve our status as a REIT, among other purposes. For a description of these restrictions, see "Restrictions on Ownership and Transfer" below.

As permitted by the Maryland statute governing real estate investment trusts formed under the laws of that state, which is referred to as the Maryland REIT Law, our declaration of trust authorizes our board of trustees, without any action by our shareholders, to amend our declaration of trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of any class of shares of beneficial interest that we have authority to issue. Maryland law and our declaration of trust provide that our shareholders are not personally liable for any of our debts, claims, demands, judgments or obligations solely by reason of their status as a shareholder.

Common Shares

The common shares being offered pursuant to this prospectus, upon issuance against full payment of the applicable purchase price, will be duly authorized, validly issued, fully paid and nonassessable.

Voting Rights of Common Shares

Subject to the provisions of our declaration of trust regarding the restrictions on the transfer and ownership of shares of beneficial interest, each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees. Except as may be provided with respect to any class or series of our preferred shares, including our Series B preferred shares and our Series C preferred shares, only holders of our common shares possess voting rights. Our bylaws provide for the election of trustees in uncontested elections by a majority of the votes cast at a meeting of shareholders at which a quorum is present. Under this standard, a majority of the votes cast means the number of votes cast for a trustee's election exceeds the number of votes

Table of Contents

cast against that trustee's election. Our bylaws provide for the election of trustees by a plurality of the votes cast at a meeting of shareholders at which a quorum is present if the number of nominees exceeds the number of trustees to be elected (a contested election).

Dividends, Liquidation and Other Rights

Holders of our common shares are entitled to receive dividends when authorized by our board of trustees and declared by us out of assets legally available for the payment of dividends, and the holders of common shares are entitled to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of the holders of our outstanding Series B preferred shares and our outstanding Series C preferred shares, as well as the rights of the holders of any other series of our preferred shares that may be created in the future, and to the provisions of our declaration of trust regarding restrictions on transfer of our shares.

The holders of our common shares have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any additional common shares. Subject to the restrictions on transfer of shares contained in our declaration of trust and to the ability of the board of trustees to create common shares with differing voting rights, all common shares will have equal dividend, liquidation and other rights.

Preferred Shares

We may offer and sell preferred shares from time to time, in one or more series (including additional Series B preferred shares and additional Series C preferred shares), as authorized by our board of trustees. The preferred shares being offered by this prospectus, upon issuance against payment of the full purchase price, will be duly authorized, validly issued, fully paid and nonassessable. Our declaration of trust authorizes our board of trustees to classify any unissued preferred shares and to reclassify any previously classified but unissued preferred shares of any class or series from time to time in one or more class or series, as authorized by our board of trustees. Prior to issuance of shares of each series, our board of trustees is required by the Maryland REIT Law and our declaration of trust to set for each such class or series, subject to the provisions of our declaration of trust regarding the restriction on ownership and transfer of shares of beneficial interest, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series. Our board of trustees could authorize the issuance of preferred shares with terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control that might involve a premium price for holders of common shares or otherwise be in their best interest.

The prospectus supplement governing the offering of any preferred shares will describe the specific terms of such securities, including:

the title and stated value of the preferred shares;

the number of preferred shares offered and the offering price of the preferred shares;

the dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation of any of those terms that apply to the preferred shares;

the date from which dividends on the preferred shares will accumulate, if applicable;

the terms and amount of a sinking fund, if any, for the purchase or redemption of the preferred shares;

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Table of Contents

the redemption rights, including conditions and the redemption price(s), if applicable, of the preferred shares;

any listing of the preferred shares on any securities exchange;

the terms and conditions, if applicable, upon which the preferred shares will be convertible into common shares or any of our other securities, including the conversion price or rate (or manner of calculation thereof);

the relative ranking and preference of the preferred shares as to dividend rights and rights upon liquidation, dissolution or the winding up of our affairs;

any limitations on issuance of any class or series of preferred shares ranking senior to or on a parity with that series of preferred shares as to dividend rights and rights upon liquidation, dissolution or the winding up of our affairs;

the procedures for any auction and remarketing, if any, for the preferred shares;

any other specific terms, preferences, rights, limitations or restrictions of the preferred shares;

a discussion of any additional federal income tax consequences applicable to the preferred shares; and

any limitations on direct or beneficial ownership and restrictions on transfer in addition to those described in "Restrictions on Ownership and Transfer," in each case as may be appropriate to preserve our status as a real estate investment trust.

The terms of any preferred shares we issue through this prospectus will be set forth in an articles supplementary or amendment to our declaration of trust. We will file the articles supplementary or amendment as an exhibit to the registration statement that includes this prospectus, or as an exhibit to a filing with the SEC that is incorporated by reference into this prospectus. The description of preferred shares in any prospectus supplement will not describe all of the terms of the preferred shares in detail. You should read the applicable articles supplementary or amendment to our declaration of trust for a complete description of all of the terms.

Rank

Unless otherwise indicated in the accompanying prospectus supplement, the preferred shares offered through that supplement will, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, rank:

senior to all classes or series of our common shares, and to all other equity securities ranking junior to those preferred shares;

on a parity with all of our equity securities ranking on a parity with the preferred shares; and

junior to all of our equity securities ranking senior to the preferred shares.

The term "equity securities" does not include convertible debt securities.

Dividends

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Subject to any preferential rights of any outstanding shares or series of shares, and to the provisions of our declaration of trust regarding ownership of shares in excess of the ownership limitation described in "Restrictions on Ownership and Transfer," holders of our preferred shares are entitled to receive dividends, when authorized by our board of trustees and declared by us out of assets legally available for payment of dividends.

Table of Contents

Redemption

If we provide for a redemption right in a prospectus supplement relating to an offering of preferred shares, the preferred shares offered through that supplement will be subject to mandatory redemption or redemption at our or the holder's option, in whole or in part, in each case upon the terms, at the times and at the redemption prices set forth in that supplement.

Liquidation Preference

As to any preferred shares offered through this prospectus, the applicable prospectus supplement will provide that, upon the voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of those preferred shares will receive, before any distribution or payment is made to the holders of any other class or series of shares ranking junior to those preferred shares with respect to rights upon any liquidation, dissolution or winding up, and after payment or provision for payment of our debts and other liabilities, out of our assets legally available for distribution to shareholders, liquidating distributions in the amount of any liquidation preference per share (set forth in the applicable prospectus supplement), plus an amount, if applicable, equal to all distributions accrued and unpaid thereon (not including any accumulation in respect of unpaid distributions for prior distribution periods if those preferred shares do not have a cumulative distribution). After payment of the full amount of the liquidating distributions to which they are entitled, the holders of those preferred shares will have no right or claim to any of our remaining assets. In the event that, upon our voluntary or involuntary liquidation, dissolution or winding up, the legally available assets are insufficient to pay the amount of the liquidating distributions on all of those outstanding preferred shares and the corresponding amounts payable on all other preferred shares ranking on a parity with those preferred shares with respect to rights upon liquidation, dissolution or winding up, then the holders of those preferred shares and all other preferred shares will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

If the liquidating distributions are made in full to all holders of preferred shares entitled to receive those distributions prior to any other classes or series of equity security ranking junior to the preferred shares upon our liquidation, dissolution or winding up, then our remaining assets will be distributed among the holders of those junior classes or series of equity shares, in each case according to their respective rights and preferences and their respective number of shares.

The liquidation preference is not indicative of the price at which the preferred shares will actually trade on or after the date of issuance.

Voting Rights

Unless otherwise indicated in the applicable supplement, holders of our preferred shares will not have any voting rights, except as may be required by the applicable rules and regulations of the NYSE or any other securities exchange on which the preferred shares are listed.

Conversion Rights

The terms and conditions, if any, upon which any class or series of preferred shares is convertible into common shares will be set forth in the prospectus supplement relating to the offering of those preferred shares. These terms typically will include:

the number of common shares into which the preferred shares are convertible;

the conversion price (or manner of calculation thereof);

the conversion period;

Table of Contents

provisions as to whether conversion will be at the option of the holders of the preferred shares or at our option;

the events requiring an adjustment of the conversion price; and

provisions affecting conversion in the event of the redemption of that class or series of preferred shares.

Series B Preferred Shares

The Series B preferred shares generally provide for the following rights, preferences and obligations:

Dividend Rights. The Series B preferred shares accrue a cumulative cash dividend at an annual rate of 8.00% on the \$25.00 per share liquidation preference, equivalent to a fixed annual amount of \$2.00 per share per year.

Liquidation Rights. Upon any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of Series B preferred shares will be entitled to receive a liquidation preference of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends to the date of payment, before any payment or distribution will be made or set aside for holders of any junior shares, including our common shares.

Redemption Provisions. The Series B preferred shares are not redeemable prior to May 18, 2016, except in certain limited circumstances. On and after May 18, 2016, the Series B preferred shares may be redeemed for cash at our option, in whole or in part, at any time and from time to time upon not less than 30 days' nor more than 60 days' written notice, at a redemption price equal to \$25.00 per share plus an amount equal to all accrued and unpaid dividends to and including the date fixed for redemption, except in certain limited circumstances. The Series B preferred shares have no stated maturity and are not subject to any sinking fund or mandatory redemption provisions.

Voting Rights. Holders of Series B preferred shares generally have no voting rights. Whenever dividends on any Series B preferred shares shall be in arrears for six or more quarterly periods, whether or not consecutive, the holders of Series B preferred shares (voting separately as a class with the holders of all other series of preferred shares ranking on a parity with the Series B preferred shares as to dividends or upon liquidation, including the Series C preferred shares, ("Series B Parity Preferred"), upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two trustees at a special meeting of the shareholders called by the holders of record of at least 20% of the Series B preferred shares or the holders of 20% of any other series of Series B Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accrued on such Series B preferred shares for the past dividend periods shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In addition, the issuance of senior shares or certain changes to the terms of the Series B preferred shares that would be materially adverse to the rights of holders of Series B preferred shares cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding Series B preferred shares voting separately as a class.

Conversion and Preemptive Rights. Except in connection with certain changes in control of our company, the Series B preferred shares are not convertible or exchangeable for any of our other securities or property, and holders of our Series B preferred shares have no preemptive rights to subscribe for any securities of our company.

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Table of Contents

For additional information regarding our Series B preferred shares, see our Registration Statement on Form 8-A filed with the SEC on May 17, 2011. See "Where You Can Obtain More Information."

Series C Preferred Shares

The Series C preferred shares generally provide for the following rights, preferences and obligations:

Dividend Rights. The Series C preferred shares accrue a cumulative cash dividend at an annual rate of 6.875% on the \$25.00 per share liquidation preference, equivalent to a fixed annual amount of \$1.71875 per share per year.

Liquidation Rights. Upon any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of Series C preferred shares will be entitled to receive a liquidation preference of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends to the date of payment, before any payment or distribution will be made or set aside for holders of any junior shares, including our common shares.

Redemption Provisions. The Series C preferred shares are not redeemable prior to March 6, 2018, except in certain limited circumstances. On and after March 6, 2018, the Series C preferred shares may be redeemed for cash at our option, in whole or in part, at any time and from time to time upon not less than 30 days' nor more than 60 days' written notice, at a redemption price equal to \$25.00 per share plus an amount equal to all accrued and unpaid dividends to and including the date fixed for redemption, except in certain limited circumstances. The Series C preferred shares have no stated maturity and are not subject to any sinking fund or mandatory redemption provisions.

Voting Rights. Holders of Series C preferred shares generally have no voting rights. Whenever dividends on any Series C preferred shares shall be in arrears for six or more quarterly periods, whether or not consecutive, the number of trustees then constituting the Board of Trustees shall be increased by two, if not already increased by reason of similar types of provisions with respect to another series of Parity Preferred (as defined below), and the holders of Series C preferred shares (voting together as a single class with the holders of all other series of preferred shares ranking on a parity with the Series C preferred shares as to dividends or upon liquidation, including the Series B preferred shares ("Series C Parity Preferred"), upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two trustees, if not already elected by the holders of Parity Preferred by reason of similar types of provisions with respect to preferred share trustees, at a special meeting of the shareholders called by the holders of record of at least 20% of the Series C preferred shares or the holders of 20% of any other series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accrued on such Series C preferred shares for the past dividend periods shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In addition, the issuance of senior shares or certain changes to the terms of the Series C preferred shares that would be materially adverse to the rights of holders of Series C preferred shares cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding Series C preferred shares voting separately as a single class.

Conversion and Preemptive Rights. Except in connection with certain changes in control of our company, the Series C preferred shares are not convertible or exchangeable for any of our other securities or property, and holders of our Series C preferred shares have no preemptive rights to subscribe for any securities of our company.

Table of Contents

For additional information regarding our Series C preferred shares, see our Registration Statement on Form 8-A filed with the SEC on March 1, 2013. See "Where You Can Obtain More Information."

Classification or Reclassification of Common Shares or Preferred Shares

Our declaration of trust authorizes our board of trustees to classify or reclassify any unissued common shares or preferred shares into one or more classes or series of shares of beneficial interest by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of such new class or series of shares of beneficial interest.

Table of Contents

DESCRIPTION OF DEPOSITARY SHARES

We may, at our option, elect to offer depositary shares rather than full preferred shares. Each depositary share will represent ownership and entitlement to all rights and preferences of a fraction of a preferred share of a specified series (including dividend, redemption, liquidation and voting rights). We will specify the applicable fraction in a prospectus supplement governing the offering of any depositary shares. We will deposit with a depositary named in a prospectus supplement governing the offering of any depositary shares the preferred shares represented by the depositary shares, under a deposit agreement, among us, the depositary and the holders from time to time of the certificates evidencing depositary shares, or depositary receipts. Depositary receipts will be delivered to those persons purchasing depositary shares in the offering. The depositary will be the transfer agent, registrar and dividend disbursing agent for the depositary shares.

Dividends and Distributions

The depositary will distribute all cash dividends or other cash distributions received in respect of the series of preferred shares represented by the depositary shares to the record holders of depositary receipts in proportion to the number of depositary shares owned by the holders on the relevant record date, which will be the same date as the record date fixed by us for the applicable series of preferred shares. The depositary, however, will distribute only such amount as can be distributed without attributing to any depositary share a fraction of one cent, and any balance not so distributed will be added to and treated as part of the next sum received by the depositary for distribution to record holders of depositary receipts then outstanding.

If a distribution is other than in cash, the depositary will distribute property it receives to the record holders of depositary receipts entitled thereto, in proportion, as nearly as may be practicable, to the number of depositary shares owned by the holders on the relevant record date, unless the depositary determines (after consultation with us) that it is not feasible to make such distribution, in which case the depositary may (with our approval) adopt any other method for such distribution as it deems equitable and appropriate, including the sale of such property (at such place or places and upon such terms as it may deem equitable and appropriate) and distribution of the net proceeds from such sale to the holders.

Withdrawal of Preferred Shares

Upon surrender of depositary receipts at the principal office of the depositary and payment of any unpaid amount due the depositary, and subject to the terms of the deposit agreement, the owner of the depositary shares evidenced by the depositary receipts is entitled to delivery of the number of whole preferred shares and all money and other property, if any, represented by such depositary shares. Fractional preferred shares will not be issued. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of whole preferred shares to be withdrawn, the depositary will deliver to such holder at the same time a new depositary receipt evidencing such excess number of depositary shares. Holders of preferred shares thus withdrawn will not thereafter be entitled to deposit such shares under the deposit agreement or to receive depositary receipts evidencing depositary shares therefor.

Liquidation Preference

In the event of the liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of each depositary share will be entitled to the fraction of the liquidation preference accorded each share of the applicable series of preferred shares as set forth in the prospectus supplement.

Table of Contents

Redemption

If the series of preferred shares represented by the applicable series of depositary shares is redeemable, such depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption, in whole or in part, of preferred shares held by the depositary. Whenever we redeem any preferred shares held by the depositary, the depositary will redeem as of the same redemption date the corresponding number of depositary shares representing the preferred shares so redeemed. The depositary will mail the notice of redemption promptly upon receipt of such notice from us and not less than 30 nor more than 90 days prior to the date fixed for redemption of the preferred shares and the depositary shares to the record holders of the depositary receipts.

Voting Rights

Promptly upon receipt of notice of any meeting at which the holders of the series of preferred shares represented by the applicable series of depositary shares are entitled to vote, the depositary will mail the information contained in such notice of meeting to the record holders of the depositary receipts as of the record date for such meeting. Each record holder of depositary receipts will be entitled to instruct the depositary as to the exercise of the voting rights pertaining to the number of preferred shares represented by that record holder's depositary shares. The depositary will, to the extent practicable, vote the preferred shares represented by the depositary shares in accordance with the instructions, and we will agree to take all action which may be deemed necessary by the depositary in order to enable the depositary to do so. The depositary will abstain from voting any of thxt-align:justify; '>

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NAME AND PRINCIPAL POSITION	YEAR	SALARY US(\$) ¹	SHARE- BASED AWARDS US(\$)	OPTION- BASED AWARDS US(\$) ²	NON-EQUITY INCENTIVE		PENSION VALUE US(\$)	ALL OTHER COMPENSATION US(\$)	TOTAL COMPENSATION US(\$)
					PLAN	COMPENSATION			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
					ANNUAL INCENTIVE PLANS (f1)	LONG-TERM INCENTIVE PLANS (f2)			
Jon Salmon Managing Director	2008	284,610	NIL	NIL	NIL	NIL	NIL	NIL	284,610
Michael Starzynski Chief Information Technology Officer	2008	265,861	NIL	NIL	NIL	NIL	NIL	NIL	265,861 ⁹

⁽¹⁾ All amounts in this Table are expressed in US dollars. Unless otherwise indicated, where actual compensation was paid in a currency other than US dollars, the amounts in this Table are calculated based on the average effective local currency to US dollar exchange rate for fiscal year 2008.

⁽²⁾ The fair value of the options awarded to both Mr. Hadfield and Mr. Taylor was determined using the Black Scholes valuation model, at the date of award, as prescribed by Section 3870 of the CICA Handbook assuming a 3 year useful life, risk free interest rate of 2.74%, volatility factor of 46.11% and a dividend yield of 2.12%.

⁽³⁾ This amount is made up of a car allowance and amounts paid to Mr. Hadfield as directors fees for the period in fiscal 2008 that Mr. Hadfield was a non-executive director of the Company.

⁽⁴⁾ All Ireland-based employees of the Company, including Mr. Taylor, participate in a pension plan administered in accordance with Irish standards, whereby the Company makes a pre-determined contribution on behalf of Mr. Taylor.

⁽⁵⁾ These amounts are made up of 1) amounts earned by Mr. Taylor while working away from Ireland, 2) allowances for ongoing expenses provided to Mr. Taylor associated with his relocation and the relocation of his family to Dublin, Ireland including car allowance, cost of living adjustments, housing allowances and tuition reimbursements for the educational requirements of his family and 3) a retention bonus due on each anniversary of employment until February 14, 2010. Mr. Taylor's duties require him to spend approximately one-third of his time away from Ireland. With respect to the portion of his compensation associated with his time away from Ireland, Mr. Taylor is paid through a consulting arrangement between a wholly owned subsidiary of the Company and a corporation wholly-owned by Mr. Taylor.

⁽⁶⁾ Mr. Aziz served as President and CEO of the Company until February 26, 2008.

⁽⁷⁾ This was paid to Mr. Aziz, with the intention that Mr. Aziz would contribute same into a self-directed pension plan.

⁽⁸⁾ Mr. Aziz was terminated during fiscal 2008. This amount is comprised of payments made to satisfy contractual entitlements of Mr. Aziz on the termination of his employment. The amounts were denominated in British pounds but paid in Euros at an exchange rate mutually agreed upon. The amounts included in the table are thus the U.S. dollar equivalents of said Euro payments, based on the Euro to US dollar exchange rate as at the date of payment.

⁽⁹⁾ Mr. Starzynski's employment was terminated effective January 19, 2009. He was paid a lump sum payment of Cdn\$510,000 (Cdn\$225,000 of which was paid on January 19, 2009 as a lump sum and the balance of which, being Cdn\$285,000, is to be paid in twelve equal monthly payments), in accordance with contractual obligations relating to such termination.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table presents information relating to all share-based and option-based awards outstanding as at December 31, 2008 in respect of each NEO.

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NAME	OPTION-BASED AWARDS			SHARE-BASED AWARDS		
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE CDN(\$) ¹ (c)	OPTION EXPIRATION DATE (d)	VALUE OF UNEXERCISED IN-THE- MONEY OPTIONS (\$) (e)	NUMBER OF SHARES OR UNITS OF SHARES THAT HAVE NOT VESTED (#) (f)	MARKET OR PAYOUT VALUE OF SHARE-BASED AWARDS THAT HAVE NOT VESTED (\$) (g)
Brian Hadfield	100,000	\$19.00	05/15/13	NIL	NIL	NIL
Stephen Taylor	45,000	\$24.05	09/08/10	NIL	NIL	NIL
	2,500	\$24.40	02/02/11			
	25,000	\$26.80	06/27/11			
	5,000	\$29.68	01/29/12			
	25,000	\$18.56	11/13/12			
	30,000	\$19.00	05/15/13			
Javaid Aziz ²	218,750	\$28.66	04/30/09	NIL	NIL	NIL
Shailesh Naik ³	20,000	\$23.67	08/01/11	NIL	NIL	NIL
	4,000	\$29.68	01/29/12	NIL	NIL	NIL
	25,000	\$18.56	11/13/12	NIL	NIL	NIL
Jon Salmon ⁴	NIL	NIL	NIL	NIL	NIL	NIL
Michael Starzynski	6,250	\$15.70	01/22/09 ⁵	NIL	NIL	NIL
	2,500	\$24.40				
	15,000	\$26.80				
	5,000	\$29.68				
	25,000	\$18.56				

⁽¹⁾ All stock option exercise prices are expressed in Canadian dollars.

⁽²⁾ Mr. Aziz's employment was terminated effective April 30, 2008. However, in accordance with contractual obligations owed to Mr. Aziz, the vested stock options granted to him during his employment with the Company remained in effect until April 30, 2009.

⁽³⁾ Mr. Naik's employment terminated as of January 31, 2009, and all vested and unvested options terminated on the date of his termination.

⁽⁴⁾ Mr. Salmon's employment terminated prior to the end of fiscal year 2008, and all vested and unvested options terminated on the date of his termination.

⁽⁵⁾ Mr. Starzynski's employment with the Company terminated on January 19, 2009, at which time all vested and unvested options held by him terminated.

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Incentive Plan Awards Value Vested or Earned During the Year

NAME	OPTION-BASED AWARDS - VALUE VESTED DURING THE YEAR	SHARE-BASED AWARDS - VALUE VESTED DURING THE YEAR	NON-EQUITY INCENTIVE PLAN COMPENSATION - VALUE EARNED DURING THE YEAR
(a)	(\$) (b)	(\$) (c)	(\$) (d)
Brian Hadfield	NIL	NIL	NIL
Stephen Taylor	NIL	NIL	NIL
Javaid Aziz	NIL	NIL	NIL
Shailesh Naik	NIL	NIL	NIL
Jon Salmon	NIL	NIL	NIL
Michael Starzynski	NIL	NIL	NIL

A description of the significant terms of each of the Company's plan-based awards has been provided above under the heading "Compensation Discussion and Analysis" and under the narrative discussion to the Summary Compensation Table.

Pension Plan Benefits

Generally speaking, the Company does not provide pension benefits to NEOs. The sole exception in this regard is Mr. Taylor, in respect of whom the Company is contractually obligated to contribute an amount equal to USD \$18,813 per annum to the pension plan provided by the Company for all of its Ireland-based employees.

Termination and Change of Control Benefits

The following is a summary of termination and change of control payments or benefits accruing to the NEOs. All dollar amounts have been converted to \$USD based on the average local currency to US dollar exchange rate applicable during fiscal 2008.

Brian Hadfield - President and CEO and Director

The Company and Mr. Hadfield entered into an employment agreement dated March 15, 2008. Pursuant to Mr. Hadfield's employment agreement he is entitled to receive a fixed base salary. Any further review of his base salary for adjustment is to be based on an assessment of Mr. Hadfield's achievement of over-all objectives as determined by the Company. Any incremental payments that would be triggered under various termination circumstances are summarized below:

Termination by the Company Other Than For Cause

Should the Company terminate Mr. Hadfield's employment by giving notice, Mr. Hadfield will be entitled a lump sum payment made up of the following sums: (a) 12 months' base salary; and (b) 12 months' bonus, equal to the total amount of bonus received for the previous year of employment.

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Termination With Respect to a Change of Control

(Each individual NEO contract contains a definition of "change of control" and such definitions are not necessarily identical in all cases.)

In the event Mr. Hadfield's employment is terminated in connection with a change of control of the Company, Mr. Hadfield will be entitled to a termination payment as set out above, and in addition, he will be entitled to a lump sum payment equal to GBP £473,000.

Voluntary Termination by Mr. Hadfield

Mr. Hadfield must provide the Company with a minimum of ninety (90) days' written notice should he wish to voluntarily terminate his employment with the Company. In the event Mr. Hadfield voluntarily terminates his employment with the Company by providing such ninety (90) days' written notice, and the Company exercises its right to waive such notice, Mr. Hadfield will be entitled to a lump sum

payment equivalent to the his base salary and bonus for the balance of the notice period that remains outstanding on the date the Company exercises such waiver.

Javaid Aziz - Former President and CEO

Mr. Aziz's employment with the Company was terminated effective April 30, 2008. All payments made to Mr. Aziz in connection with such termination are as noted in the Summary Compensation Table.

Stephen Taylor - Chief Financial Officer

The Company and Mr. Taylor entered into an employment agreement dated June 1, 2007. In addition, a joint venture made up of three wholly-owned subsidiaries of the Company entered into a consulting agreement with a company wholly owned by Mr. Taylor dated June 1, 2007. Pursuant to these agreements, Mr. Taylor and his company are entitled to receive gross annual remuneration at a prescribed base rate. Thereafter, his and his company's annual remuneration are subject to review by the Board of Directors of the Company on the same basis as the Board shall review the remuneration of other senior executives of the Company. Pursuant to the aforesaid agreements, Mr. Taylor and or his company are also entitled to both discretionary bonuses and non-discretionary retention bonuses and to participate in the Company's stock option plan and LTIP. As well, the Company has agreed to make an annual pension contribution on behalf of Mr. Taylor, to the pension plan provided by the Company for all of its Ireland-based employees.

Any incremental payments that would be triggered under various termination circumstances are summarized below:

Termination by the Company Other Than for Cause

In the event Mr. Taylor's employment agreement is terminated by the Company other than for cause or if his employment is voluntarily terminated, under circumstances which constitute "good reason" (as defined in his employment agreement), Mr. Taylor will be entitled to the following:

Severance or Termination Pay - An amount equal to:

- a) Mr. Taylor's annual remuneration at the time of termination of employment; plus
- b) the greater of (i) the amount of the discretionary bonus paid to Mr. Taylor in respect of the fiscal year immediately prior to the year in which the termination takes place, or (ii) the expected amount which would be paid to Mr. Taylor as a discretionary bonus in respect of the fiscal year in which the termination takes place had Mr. Taylor remained in the employ of the Company, based on the criteria established by the senior management team bonus plan in effect at that time; plus

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- c) a pro rata portion of the discretionary bonus Mr. Taylor would have received in respect of the fiscal year in which the termination arises (having regard to the portion of the fiscal year Mr. Taylor remained employed with the Company, which pro rata discretionary bonus shall be declared, calculated and paid in accordance with, and subject to the Company's senior management team bonus plan).

Benefits Plans - Continued participation in the Company's benefits plans for a period of twelve (12) months following the effective date of termination.

Retention Bonus- As part and parcel of arrangements entered into at the time of Mr. Taylor's relocation to Dublin, the Company agreed to pay Mr. Taylor a retention bonus, provided that Mr. Taylor remains in the employ of the Company on February 14, 2010. If Mr. Taylor's employment is terminated by the Company prior to February 14, 2010 (except for cause), Mr. Taylor will be entitled to a pro rata portion of the retention bonus which Mr. Taylor would have been entitled to had he remained in the active employment of the Company on February 14, 2010, having regard to the number of days between the August 14, 2008 and February 14, 2010 that Mr. Taylor remained in active employment with the Company.

Stock Options - As part and parcel of arrangements entered into at the time of Mr. Taylor's relocation to Dublin, the Company granted to Mr. Taylor certain stock options in consideration of his agreement to relocate to Dublin. Like all other options granted by the Company pursuant to its stock option plan, these options vest over time. If, Mr. Taylor's employment is terminated prior to February 14, 2010 (except for cause), vesting of a pro rata percentage of these options will accelerate such that they will vest on the termination date, and will be exercisable by Mr. Taylor for such period of time following termination as is provided for in the stock option plan.

Termination With Respect to a Change of Control

In the event Mr. Taylor's employment is terminated pursuant to a change of control (as defined in his employment agreement) Mr. Taylor will be entitled to the following:

Stock Options - All invested stock options granted to Mr. Taylor will vest and be exercisable from and after the occurrence of the change of control, in the same manner, and subject to the same terms and conditions as relate to all other vested stock-options granted to Mr. Taylor.

Termination of Consulting Agreement Other Than for Cause

In the event the consulting agreement is terminated by the joint venture without cause (as defined in the consulting agreement) Mr. Taylor's consulting company will be entitled to the following:

Severance or Termination Pay - An amount equal to:

- a) The consulting company's annual fees at the time of termination of employment; plus
- b) the greater of (i) the amount of the discretionary bonus paid to the consulting company in respect of the fiscal year immediately prior to the year in which the termination takes place, or (ii) the expected amount which would be paid to the consulting company as a discretionary bonus in respect of the fiscal year in which the termination takes place had the consulting agreement remained in effect, based on the criteria established by the senior management team bonus plan in effect at that time; plus

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- c) a pro rata portion of the discretionary bonus the consulting company would have received in respect of the fiscal year in which the termination arises (having regard to the portion of the fiscal year the consulting agreement remained in effect, which pro rata discretionary bonus shall be declared, calculated and paid in accordance with, and subject to the Company's senior management team bonus plan).

Cross Termination

In the event that the employment agreement or the consulting agreement is terminated, the other of the agreements is contemporaneously terminated.

Voluntary Termination by Mr. Taylor

Mr. Taylor must provide the Company with a minimum of three (3) months notice written notice should he wish to voluntarily terminate his employment with the Company. In the event Mr. Taylor voluntarily terminates his employment with the Company on giving such three (3) months notice, and the Company exercises its right to waive such notice, Mr. Taylor will be entitled to an equivalent amount of remuneration for such period.

Shailesh Naik - Former Managing Director As noted under the Summary Compensation Table, Mr. Naik resigned from his position effective January 31, 2009.

Jon Salmon- Former Managing Director

As noted under the Summary Compensation Table, Mr. Salmon resigned from his position effective October 3, 2008.

Michael Starzynski - Former Chief Information and Technology Officer

As noted under the Summary Compensation Table, Mr. Starzynski's employment with the Company terminated effective January 19, 2009. All payments made to Mr. Starzynski in respect of such termination are as noted in the footnotes to the above Summary Compensation Table.

Director Compensation

Director Compensation Table

The following table presents all amounts of compensation provided to the directors for the year ended December 31, 2008.

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NAME ¹	FEES EARNED ² (\$)	SHARE- BASED AWARDS (\$)	OPTION- BASED AWARDS (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$)	PENSION VALUE (\$)	ALL OTHER COMPENSATION (\$)	TOTAL (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Thomas Byrne	\$73,991	NIL	NIL	NIL	NIL	NIL	\$73,991
Stephen Freedhoff	\$73,991	NIL	NIL	NIL	NIL	NIL	\$73,991
David Gavagan	\$29,965	NIL	NIL	NIL	NIL	NIL	\$29,965
Robert Stikeman	\$147,984	NIL	NIL	NIL	NIL	NIL	\$147,984
Wai Ming Yap	\$64,743	NIL	NIL	NIL	NIL	NIL	\$64,743

⁽¹⁾ As executive directors, Mr. Hadfield and Mr. Taylor are not separately compensated to act as directors of the Company.

⁽²⁾ All amounts are in US Dollars.

Narrative discussion

Director compensation consists of a retainer fee for non-executive directors and additional fees in connection with service as Board Chairman or committee chairs. For the most recently completed financial year, director fees were set at GBP 35,000 per annum (\$64,232 per annum, based on the average effective GBP to US dollar exchange rate for fiscal year 2008), with an additional GBP 5,000 (\$9,176, based on the average effective GBP to US dollar exchange rate for fiscal year 2008) payable in connection with serving as a committee chair, and an additional GBP 45,000 (\$82,584 based on the average effective GBP to US dollar exchange rate for fiscal year 2008) payable in connection with serving as Chairman of the Board of Directors of the Company.

Outstanding Share-Based Awards and Option-Based Awards

The following table presents information relating to all share-based and option-based awards outstanding as at December 31, 2008 in respect of each director.

NAME	OPTION-BASED AWARDS				SHARE-BASED AWARDS	
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE CDN(\$)	OPTION EXPIRATION DATE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS (\$)	NUMBER OF SHARES OR UNITS OF SHARES THAT HAVE NOT VESTED (#)	MARKET OR PAYOUT VALUE OF SHARE-BASED AWARDS THAT HAVE NOT VESTED (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Stephen Freedhoff	3,333	\$21.39	09/02/10	NIL	NIL	NIL
	10,000	\$23.56	12/14/11	NIL	NIL	NIL
Robert Stikeman	12,000	\$21.39	09/02/10	NIL	NIL	NIL
	45,000	\$23.56	12/14/11	NIL	NIL	NIL

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Incentive Plan Awards Value Vested or Earned During the Year

NAME	OPTION-BASED AWARDS - VALUE VESTED DURING THE YEAR (\$)	SHARE-BASED AWARDS - VALUE VESTED DURING THE YEAR (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION -- VALUE EARNED DURING THE YEAR (\$)
(a)	(b)	(c)	(d)
Stephen Freedhoff	NIL	NIL	NIL
Robert Stikeman	NIL	NIL	NIL

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as at December 31, 2008 with respect to ordinary shares authorized for issuance under the Stock Option Plan.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (CDN\$) (B)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A)) (C)
Equity compensation plans approved by security holders	1,095,211	\$23.88	388,651 ⁽¹⁾

⁽¹⁾The number of securities remaining available for future issuance relates to the Company's stock option plan.

Stock Option Plan

The principal features of the Stock Option Plan are as follows:

The Stock Option Plan authorizes the issuance of 3,900,000 options, of which 388,651 options are available for issuance under the Stock Option Plan.

Options have a term of five years or less and will be subject to earlier termination in certain circumstances. An option will only become exercisable after the following vesting periods:

- o one-third of the options granted to Directors will vest at the date of grant, one additional third one year thereafter, and the remaining third one year after that;
- o unless otherwise permitted by the Remuneration Committee, all other options granted will vest at a rate of one-quarter of the total amount granted per year, the first vesting date to follow one year after the date of grant. Vesting dates will follow annually on the anniversary date of the original grant, provided that in the event of a public takeover bid all options will immediately vest.

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Any option granted under the Option Plan, to the extent that such option has not been validly exercised, will terminate on the earlier of the following dates: (i) the date of expiration specified in the option agreement; (ii) 30 days after the date of the termination or expiration of the optionee's employment, directorship or service agreement other than by cause and other than by retirement, permanent disability or death; (iii) six (6) months after the date of the optionee's death; and (iv) three (3) months after termination of the optionee's employment by permanent disability or retirement under any retirement plan of the Company.

No one person may receive or hold options entitling the purchase of 5% or more the outstanding Shares of the Company.

The exercise price is fixed by the directors but is not less than the market value of the Shares at the date of the grant (the closing price on the day of the grant or the average between highest and lowest prices on such day).

Stock options are not assignable by the holder.

No financial assistance will be provided by the Company to option holders in connection with the exercise of stock options granted under the Stock Option Plan.

The Stock Option Plan is administered by the Board of Directors on the advice of the Remuneration Committee.

Amendments to the Stock Option Plan require the approval of the directors and those shareholders not otherwise eligible to receive a benefit under the plan.

AUDIT COMMITTEE

The Audit Committee has a charter. A copy of the Audit Committee charter is attached as [Appendix A](#) hereto.

Composition of the Audit Committee

The members of the Audit Committee are Thomas Byrne, Stephen Freedhoff and David Gavagan. All three members are independent within the meaning of NI 52-110. All members are considered to be financially literate. A member is considered financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably expected to be raised by the Company's financial statements. A member of the committee is independent if the member has no direct or indirect material relationship with the Company which could in view of the Board of Directors reasonably interfere with the exercise of the member's independent judgment.

Relevant Education and Experience

Mr. Byrne is a Chartered Accountant and was a partner of a global accounting firm before joining Davy Stockbrokers, Ireland's largest brokerage house, in 1987. He was Head of Corporate Finance at Davy Stockbrokers until he set up his own corporate advisory company, Abaris Corporate Advisors Limited, in 2001, and as such has extensive experience with public company reporting and accounting issues. He is Chairman of the Company's Audit Committee.

Mr. Freedhoff is a Chartered Accountant and CFP and was a partner of a Canadian national accounting firm for 30 years and has extensive experience with public company financial reporting.

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Mr. Gavagan is a Chartered Accountant and was the co-founder and managing/senior partner of Hibernia Capital Partners, a private equity fund. Mr. Gavagan currently works as a self-employed accountant and also serves on the board of directors of a number of private companies. As such, Mr. Gavagan has extensive experience with public company reporting and accounting issuers. Mr. Gavagan was appointed to the Company's audit committee on August 6, 2008.

Reliance on Certain Exemptions

At no time since the commencement of the Company's recently completed financial year did the Company rely on exemptions in NI 52-110 (2.4), (3.2), (3.3(2)), (3.4), (3.5), (3.6), (3.8) or Part 8.

Audit Committee Oversight

The Audit Committee has not made any recommendations to the Board of Directors to nominate or compensate any external auditor that was not accepted by the Board of Directors.

Pre-Approval Policies and Procedures for Non-Audit Services

The Audit Committee Charter sections 3(2)(f) and (g) require the Audit Committee to review all non-audit engagements of the auditor, and these reviews are individually considered on a case by case basis.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audit services provided to the Company by Grant Thornton to ensure auditor independence. Fees paid to Grant Thornton for audit and non-audit services the fiscal year ended December 31, 2008 are outlined in the following table. KPMG LLP were the Company's auditors for fiscal year ended December 31, 2007.

YEARS ENDED DECEMBER 31, (IN THOUSANDS OF U.S. DOLLARS)	2008 (GRANT THORNTON)	2008 (KPMG LLP)	2007 (KPMG LLP)
Audit Fees ⁽¹⁾	\$1,118	--	\$1,174
Audit-Related Fees ⁽²⁾	--	\$109	--
Tax Fees ⁽³⁾	--	\$969	\$1,818
All Other Fees ⁽⁴⁾	--	\$603	\$53
Total:	\$1,118	\$1,681	\$3,045

⁽¹⁾ Audit fees were for professional services rendered for the audits of the Company's consolidated financial statements and subsidiary companies, the review of interim financial statements, the review of accounting disclosure requirements regarding other business activities and review of documents filed with U.S., Canadian and U.K. securities regulatory authorities including documents relating to the Company's reorganization to Ireland.

⁽²⁾ Audit-related fees were for advisory services related to Sarbanes-Oxley (Section 404).

⁽³⁾ Tax fees were for tax compliance, tax advice and tax planning. These services included the preparation and review of corporate tax returns, assistance with tax audits and transfer pricing matters, expatriate advisory services as well as advisory services relating to the Company's reorganization to Ireland, federal, provincial and international tax compliance for customs and duties, and regarding common forms of domestic and international taxation (i.e. income tax, VAT, GST and excise taxes).

⁽⁴⁾ Other fees were for services other than audit fees, audit-related fees and tax fees as described above. These services included probity checks of employees and licensees.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current directors or officers of the Company is indebted to CryptoLogic other than for routine indebtedness within the meaning of applicable law.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company, nor any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, the appointment of the auditor and as may be set out herein.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

In the normal course of operations, the Company engages the services of a law firm in which Robert Stikeman, a member of the Board of Directors, is a partner. Fees paid to this firm were \$0.4 million in 2008 (2007 - \$0.9 million). At December 31, 2008, there were \$0.03 million of outstanding fees payable to this law firm (2007 - \$0.09 million). As the Company has now fully completed its transition from a Canadian incorporated and headquartered entity to a Guernsey incorporated and Irish headquartered company, the Board of Directors has determined that it will no longer use this law firm for material legal work.

During 2008, the Company also engaged another law firm in which Wai Ming Yap, a member of the Board of Directors, is a partner. The fees paid or payable to this law firm, however, were not considered material (2007 - \$0.3 million). As at December 31, 2008, there were no outstanding fees payable to this law firm.

CORPORATE GOVERNANCE

Effective June 30, 2005, National Instrument 58-101 Disclosure of Corporate Governance Practices (**NI 58-101**) and National Policy 58-201 Corporate Governance Guidelines (**NP 58-201**) were adopted in each of the provinces and territories in Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices (**Guidelines**), which are not prescriptive, but are encouraged in the formulation of corporate governance practices.

The Board believes that good corporate governance improves corporate performance and benefits all shareholders, and believes that its practices are closely aligned to the Guidelines. This section sets out the Company's approach to corporate governance and provides the disclosure requested by Form NI 58-101F1.

1. **Board of Directors**

Directors are defined under NI 58-101 as independent if they have no direct or indirect material relationship with the Company. A material relationship is further defined in Multilateral Instrument 52-110 (**MI 52-110**) to include a relationship which could, in the view of the Company's Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. As well, MI 52-110 provides a list of circumstances that deem a director not to be independent if that person or his family receive any compensation directly or indirectly other than as acting as a director.

The independent members of the Board of Directors of the Company are Thomas Byrne, Stephen Freedhoff, David Gavagan and, if elected, James Wallace. The non-independent members of the Board of Directors are Brian Hadfield, President and Chief Executive Officer, Robert Stikeman, Chairman and Secretary and Stephen Taylor, Chief Financial Officer. Robert Stikeman, the non-executive Chairman of

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the Company, is a partner in a law firm that provides legal services to the Company. While the Board does not believe Mr. Stikeman's relationship with the Company should be reasonably perceived to materially interfere with his ability to act in the best interests of the Company, he is not considered independent due to the above fact. Mr. Stikeman is also not considered independent for the purposes of the NASDAQ Rule 4350(d)(2)(A). However, pursuant to the provisions of the NASDAQ Rule 4350(d)(2)(B), the Board has determined that membership on the Nominating Committee by Mr. Stikeman is required by the best interests of the Company and its shareholders, due to Mr. Stikeman's knowledge of the Company and its operations. Brian Hadfield and Stephen Taylor are non-independent members of the Board as they are executive officers of the Company. Mr. Yap is a partner in a law firm that provides legal services to the Company. He is not independent under MI 52-110 but is independent under the NASDAQ Rule 4350(d) (2VB). It is the intention of the Company that Mr. Yap be replaced on the Board by Mr. James Wallace.

The Board facilitates its independent supervision over management by promoting frequent interaction, feedback and exchange of ideas. As well, Management provides the non-independent directors with periodic reports outlining the financial position and status of development projects.

The independent directors meet separately from Management between regular director meetings to permit independent discussion of issues facing the Company. In 2008, four (4) such meetings were held independent of Management. The attendance record of each director for all Board meetings held since January 1, 2008 is contained in the section below titled Meetings of the Board of Directors.

All directors are encouraged to hold a minimum of 5,000 Shares of the Company.

Meetings of the Board of Directors

The attendance record at Board and committee meetings for each member of the Board from January 1, 2008 to May 5, 2009 are set out below:

DIRECTOR	BOARD MEETINGS	AUDIT MEETINGS	REMUNERATION MEETINGS	CORPORATE GOVERNANCE AND COMPLIANCE		OVERALL
				NOMINATING MEETINGS	MEETINGS	
Thomas Byrne	13/13 (100%)	11/11 (100%)	8/8 (100%)	4/4 (100%)	N/A	36/36 (100%)
Stephen Freedhoff	11/12 (92%)	8/10 (80%)	7/8 (87%)	N/A	N/A	26/30 (86%)
David M.J. Gavagan	6/6 (100%)	6/6 (100%)	8/8 (100%)	N/A	N/A	20/20 (100%)
Brian Hadfield	13/13 (100%)	N/A	N/A	N/A	N/A	13/13 (100%)
Robert H. Stikeman	13/13 (100%)	N/A	N/A	4/4 (100%)	2/2 (100%)	19/19 (100%)
Stephen B. Taylor	13/13 (100%)	N/A	N/A	N/A	N/A	13/13 (100%)
Wai Ming Yap	11/13 (85%)	N/A	N/A	4/4 (100%)	2/2 (100%)	17/19 (89%)

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2. **Board Mandate**

The following is the text of the Board's written mandate to manage, or supervise the management of, the business and affairs of the Company. To discharge this obligation, the Directors assume responsibility in the following areas:

Corporate Disclosure

Monitoring continuous and timely disclosure, financial reporting and all related communications.

Receiving and reviewing the reports of the Audit Committee on financial disclosure.

Establishing a communications policy for the Company, namely, to establish controls and procedures for vetting the quality and accuracy of financial results.

Material Transactions

Review and approve material transactions not in the ordinary course of business and establish thresholds requiring prior Board approval.

Risk Assessment

Identify the principal risks of the Company's businesses and ensure that appropriate systems are in place to manage these risks.

Integrity

Ensure the integrity of the Company's internal control and management information systems.

Ensure ethical behaviour and compliance with laws and regulations, audit and accounting principles, and the Company's own governing documents.

Strategic Planning Process

Provide input to management on emerging trends and issues.

Review and approve management's strategic plans.

Review and approve the Company's financial objectives, plans and actions, including significant capital allocations and expenditures.

Take into account the opportunities and risks of the business.

Monitoring Tactical Progress

Monitor corporate performance against the strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.

Senior Level Staffing

Select, monitor and evaluate the performance of the Chief Executive Officer and other senior executives, and plan for Management succession.

Monitoring Directors Effectiveness

Assess its own effectiveness in fulfilling the above and Boards responsibilities, including monitoring the effectiveness of individual Directors, based on a review and recommendations of the Compliance and Governance Committee.

3. **Position Descriptions**

The Board has developed a written mandate for the Board (see Board Mandate above), a position description for the Chief Executive Officer and outlined limits to his responsibilities. It has also adopted a statement of corporate objectives in consultation with the Chief Executive Officer.

The Board has developed a written mandate for the Chairman that consists of four principle components as follows:

Providing Leadership to Enhance Directors Effectiveness

The Chairman is explicitly accountable for ensuring that the Directors carry out their responsibilities effectively. This involves:

ensuring that the responsibilities of the Directors are well understood by both the Directors and management, and that the boundaries between Directors and management responsibilities are clearly understood and respected; the Chairman needs to ensure that the Directors do their job and do not try to do management s job;

ensuring that the Directors work as a cohesive team and providing the leadership essential to achieve this;

ensuring that the resources available to the Directors (in particular timely and relevant information) are adequate to support their work;

ensuring that a process is in place by which the effectiveness of the Board of Directors and their committees is assessed on a regular basis; and

ensuring that a process is in place by which the contribution of individual directors to the effectiveness of the Board and its committees is assessed on a regular basis.

Managing the Board

The Chairman is responsible for:

adopting procedures to ensure that the Directors can conduct their work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;

ensuring that where functions are delegated to appropriate committees, the functions are carried out and results are reported to the Board. Examples of such functions could include:

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- o assessing the performance of the CEO;
- o ensuring that appropriate human resource management practices (including succession planning, development and compensation plans) are in place for senior management;
- o ensuring that succession planning for the board is carried out;
- o ensuring an adequate orientation and training program for new Board members;
- o at the conclusion of each Board of Directors meeting, the Chairman may chair a meeting of non-management Directors at which any concerns may be freely expressed; and
- o once potential Board or management candidates are identified, approaching potential candidates (with or without the CEO) to explore their interest in joining the Board.

Acting as Liaison Between Directors and Management

The Chairman must work to ensure that relationships between the Directors and management are conducted in a professional and constructive manner. This involves working closely with the CEO to ensure that the conduct of Board meetings provides adequate time for serious discussion of relevant issues and that the Company is building a healthy governance culture.

Representing the Company to External Groups

Working with the CEO and the CFO, the Chairman could represent the Company to external groups such as shareholders and other stakeholders including local community groups and governments.

At present, the Company does not have a mandate for the Chairman of the Committees, just the Committees themselves.

4. Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company's business, technology and industry and on the responsibilities of directors, including provision of extensive written materials and individual reviews on the affairs of the Company.

Board meetings include presentations by the Company's Management and employees to give the Directors additional insight into the Company's business, and informal meetings are arranged to permit the Board the occasion for unstructured discussion of the Company's position in the industry and strategic options it may consider.

The Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations, as necessary, by, among other things, engaging consultants that are independent of the Company, to advise on matters pertaining to corporate finance, technology and executive compensation. In addition, the Board is advised regularly by its outside Irish, Canadian, US, UK and Guernsey counsel on matters pertaining to compliance with applicable laws, as well as its outside auditors on matters pertaining to, among other things, financial controls.

5. Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of Management and in the best interests of the Company.

The Company has adopted a written Code of Business Conduct and Ethics (**Code**) respecting ethical business conduct. A copy of the Code is available without charge upon request by contacting CryptoLogic's Investor Relations Department by mail at our office located at 55 St. Clair Avenue West, 3rd Floor, Toronto, Ontario, Canada, M4V 2Y7, by telephone (416) 545-1455, by mail at our office located at 3rd Floor, Marine House Clanwilliam Place, Dublin 2 Ireland, by telephone at +353(0) 12340400, by email at investor.relations@cryptologic.com, and also posted on the Company's web site at www.cryptologic.com.

The Board monitors compliance by making enquiries and receiving reports from the Chief Executive Officer and the Chairman of any event reported to them under the policy, and copies of any reports involving departure from the Code are copied to the Audit Committee.

No material change report filed by the Company has pertained to any departure from the Code.

In considering transactions and agreements in respect of which a director or senior officer has an interest, a disclosure of that interest is tabled in writing and the interested party is absented from the discussion of the matter in question.

The Code is reviewed periodically by the directors and amendments have occurred on two occasions in the past.

In order to promote a culture of ethical business conduct, the Board has directed Management to disseminate the Code to employees of the Company and to set expectations regarding compliance as a condition of continuing employment.

6. Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders of the Company, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience and assure a majority of directors are independent.

The Board has a Nominating Committee consisting of three members, two of which are independent. The Directors review the skills of the prospective directors and identify any deficiencies and direct interviewing of suitable candidates. In order to encourage an independent nominating process, once a candidate is identified, such candidate meets with directors individually and as a group to discuss the Company's business and regulatory activities. The Directors then receive a recommendation from the Nominating Committee on any candidate, who must be approved by the Board as a whole.

7. Compensation

The Board has a Remuneration Committee composed entirely of independent directors. The Remuneration Committee has a charter that mandates it to recommend human resource and compensation policies. It is also mandated to review the performance of the Chief Executive Officer and set the salary, bonus and other benefits of the Chairman and Chief Executive Officer.

8. Other Board Committees

In addition to the Audit, Remuneration and Nominating Committees, the Board has a Corporate Governance and Compliance Committee that reviews the Company's corporate governance (committees, mandates and composition) and reviews them annually to ensure: (i) adherence to best practices based on evolving industry standards; and (ii) to ensure legal compliance with all applicable statutes and regulations pertaining to, among other things, financial reporting, internal controls, disclosure of a non-financial nature, as well as the evolution of fiduciary standards, both prescribed by statute, regulation and as it evolves in common law.

The Corporate Governance and Compliance Committee also reviews the Company's compliance practice relating to the license and certification of its subsidiary gaming software to the Internet gaming industry overseas, reviewing all probity reports requested respecting its subsidiaries licensees, and assessing global legislative developments as they may affect the Company's business around the world.

9. Assessments

The Directors and its committees are regularly assessed as a group and individually in meetings and among individual directors and the Chairman, as situations require.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. A comprehensive description of the Company and its business as well as a summary of the risk factors applicable to the Company are set out in the Company's latest Annual Information Form (AIF). The Company's annual consolidated financial statements, together with the accompanying report of the auditor, Management's Discussion and Analysis for the year ended December 31, 2008, and any of the Company's interim consolidated financial statements and this Management Information Circular are available without charge to anyone, upon request by contacting CryptoLogic's Investor Relations Department by mail at our office located at 55 St. Clair Avenue West, 3rd Floor, Toronto, Ontario, Canada, M4V 2Y7, by telephone at (416) 545-1455, by fax at (416) 545-1454, or by mail at our office located at 3rd Floor, Marine House Clanwilliam Place, Dublin 2 Ireland, by telephone at +353(0) 12340400 or by e-mail at investor.relations@cryptologic.com, and have been filed and are available on SEDAR at www.sedar.com.

AUDITORS, REGISTRARS AND TRANSFER AGENTS

Grant Thornton Ireland, of Dublin, Ireland is the Company's auditor.

Equity Transfer & Trust Company of Toronto, Ontario, Canada is the Company's transfer agent and registrar in Canada.

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Capita Registrars (Guernsey) Limited of St. Peter Port, Guernsey is the Company's transfer agent and registrar in Guernsey.

Continental Stock Transfer & Trust Company of New York, New York, U.S.A. is the Company's transfer agent and registrar in the U.S.A.

DIRECTORS' APPROVAL

The Board of Directors of the Company have approved the contents and sending of this Management Information Circular, and it has been sent to the Company's directors, shareholders and auditors.

DATED at Toronto, Ontario, as of the 6th day of May, 2009.

By the order of the Board of Directors

(Signed)

Robert Stikeman

Chairman

APPENDIX A

CRYPTOLOGIC LIMITED

(the **Company**)

AUDIT COMMITTEE

TERMS OF REFERENCE

1. PURPOSE

1.1 The overall purpose of the Audit Committee (the **Committee**) of the Company is to monitor the Company's system of internal financial controls and procedures, to evaluate and report on the integrity of the financial statements of the Company, to enhance the independence of the Company's external auditors and to oversee the financial reporting process of the Company.

2. COMPOSITION, PROCEDURES AND ORGANIZATION

2.1 The Committee shall consist of at least three members of the board of directors of the Company (the **Board**), each of whom shall be, in the determination of the Board, **independent** as that term is defined by Multilateral Instrument 52-110, as amended from time to time. The current definition of **independent** is as set out in the Appendix to these terms of reference.

2.2 Each member of the Committee shall be, in the determination of the Board, financially literate. For the purposes of these terms of reference, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.3 The Board, at its organizational meeting held in conjunction with each annual meeting of shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director shall cease to be a member of the Committee.

2.4 Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from amongst their number. The chair shall be an **independent** director and shall not have a second, or casting, vote.

2.5 The Committee shall have access to such officers and employees of the Company and to the Company's external auditors and its legal counsel, and to such information respecting the Company as it considers to be necessary or advisable in order to perform its duties.

2.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Company, be entitled to attend and to be heard thereat.

2.7 Meetings of the Committee shall be conducted as follows:

- (a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;

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- (b) the external auditors or any member of the Committee may call a meeting of the Committee;
- (c) any director of the Company may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the chair of the Committee.
- (d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee; and
- (e) the Committee may require any attendee at a meeting who is not an unrelated director to excuse himself from any meeting.

2.8 The external auditors may communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the Company as it deems necessary, and any employee may bring before the Committee through the chair any matter involving questionable, illegal or improper practices or transactions, with open access to the Committee through appropriate channels that ensure the employee's confidentiality and job security, as appropriate.

2.9 Compensation to members of the Committee shall be limited to director's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Company (other than as members of the Board and Board committee members).

2.10 The Committee as a whole or any individual member of the Committee is authorized, at the Company's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties.

3. DUTIES

3.1 The overall duties of the Committee shall be to:

- (a) assist the Board in the discharge of its duties relating to the Company's accounting policies and practices, reporting practices and internal controls;
 - (b) establish and maintain a direct line of communication with the Company's external auditors and assess their performance;
 - (c) oversee the co-ordination of the activities of the external auditors;
 - (d) ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal controls;
 - (e) monitor the credibility and objectivity of the Company's financial reports and satisfy itself that adequate procedures are in place for the review of Company information extracted from the financial statements;
 - (f) report regularly to the Board on the fulfillment of the Committee's duties;
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- (g) establish procedures for the receipt and retention of complaints received by the Company regarding accounting, audit, and control matters;
 - (h) assist the Board in the discharge of its duties relating to risk assessment and risk management; and
 - (i) review and approve the hiring policies regarding employees or former employees of the external auditor.
- 3.2 The duties of the Committee as they relate to the external auditors shall be to:
- (a) make recommendations for the appointment of external auditors, and in particular their qualifications and independence, and to recommend to the Board a firm of external auditors to be engaged to provide audit services;
 - (b) review, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 (**NI 51-102**), and the planned steps for an orderly transition;
 - (c) review all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102, on a routine basis, whether or not there is to be a change of external auditor;
 - (d) review the engagement letters of the external auditors, both for audit and non-audit services and recommend to the Board their compensation;
 - (e) review the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors;
 - (f) review the nature of and fees for any non-audit services performed for the Company by the external auditors and with outside legal advice confirm that the nature and extent of such services does not contravene the requirements of applicable legislation that require the firm's independence be maintained in carrying out the audit function; and
 - (g) pre-approve all non-audit services to be provided to the Company or its affiliates by the external auditor.
- 3.3 The duties of the Committee as they relate to audits and financial reporting shall be to:
- (a) review the audit plan with the external auditor and management;
 - (b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
 - (c) review the contents of the audit report;
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- (d) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (e) review the scope and quality of the audit work performed;
- (f) review the adequacy of the Company's financial and auditing personnel;
- (g) review the co-operation received by the external auditor from the Company's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work and resolve disagreements between management and the external auditor regarding financial reporting;
- (h) review the internal resources used;
- (i) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses;
- (j) review the appointments of the Chief Financial Officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;
- (k) review and recommend to the Board, the Company's annual audited financial statements and those of its subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (l) review and recommend to the Board, the Company's interim unaudited financial statements, MD&A and press release, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (m) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters; and
- (n) review the terms of reference for an internal auditor or internal audit function.

3.4 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

- (a) review changes to accounting principles of the Canadian Institute of Chartered Accountants and their US and UK counterparts which would have a significant impact on the Company's financial reporting as reported to the Committee by management and the external auditors;
 - (b) review the appropriateness of the accounting policies used in the preparation of the Company's financial statements and consider recommendations for any material change to such policies;
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- (c) review the status of material contingent liabilities or accruals as reported to the Committee by management;
 - (d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;
 - (e) review any errors or omissions in the current or prior year's financial statements and establish guidelines for re-statement;
 - (f) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all press releases, prospectuses, annual reports to shareholders, annual information forms and management's discussion and analysis; and
 - (g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.
- 3.5 The other duties of the Committee shall include:
- (a) reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
 - (b) formulating clear hiring policies for employees or former employees of the Company's external auditors;
 - (c) reviewing annual operating and capital budgets;
 - (d) reviewing the funding and administration of the Company's compensation and pension plans;
 - (e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
 - (f) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical;
 - (g) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
 - (h) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
 - (i) the review and approval of the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company; and
 - (j) any other questions or matters referred to it by the Board.
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APPENDIX

Definition of independent

(National Instrument 52-110)

1.4 Meaning of Independence (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

- (2) For the purposes of subsection (1), a material relationship is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with the issuer:
- (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (e) an individual who, or whose immediate family member is, or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
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- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
 - (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements (1) Despite any determination made under section 1.4, an individual who

- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
 - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
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- (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
 - (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
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PROXY

Annual Meeting of Shareholders of

CRYPTOLOGIC LIMITED

to be held on June 3, 2009

THIS PROXY IS SOLICITED ON BEHALF OF MANAGEMENT OF CRYPTOLOGIC LIMITED

The undersigned shareholder of CryptoLogic Limited (the Company), hereby appoints **ROBERT STIKEMAN**, or failing him, **BRIAN HADFIELD**, or instead of either of them _____, as proxy with power of

substitution, to attend and vote for the undersigned at the Annual Meeting of Shareholders of the Company to be held on **Wednesday, June 3, 2009** at St. Andrew's Club & Conference Centre, The Conservatory Suite, 150 King Street West, 16th Floor, Toronto, Ontario, Canada at the hour of 4:30 p.m. (Toronto time), and at any adjournments thereof, to the same extent and with the same power as if the undersigned were personally present at the said meeting or any adjournments thereof, and without limiting the general authorization and power hereby given, the persons named above are specifically directed to vote as follows:

1. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR the election of Thomas Byrne as a director of the Company until the close of the next Annual Meeting of Shareholders or until his successor shall be elected or appointed.
2. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR the election of Stephen H. Freedhoff as a director of the Company until the close of the next Annual Meeting of Shareholders or until his successor shall be elected or appointed.
3. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR the election of David M. J. Gavagan as a director of the Company until the close of the next Annual Meeting of Shareholders or until his successor shall be elected or appointed.
4. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR the election of Brian Hadfield as a director of the Company until the close of the next Annual Meeting of Shareholders or until his successor shall be elected or appointed.
5. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR the election of Robert H. Stikeman as a director of the Company until the close of the next Annual Meeting of Shareholders or until his successor shall be elected or appointed.
6. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR the election of Stephen B. Taylor as a director of the Company until the close of the next Annual Meeting of Shareholders or until his successor shall be elected or appointed.
7. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR the election of James Wallace as a director of the Company until the close of the next Annual Meeting of Shareholders or until his successor shall be elected or appointed.

8. FOR or AGAINST or WITHHOLD or, if no specification is made, VOTE FOR authorizing the appointment of auditors, Grant Thornton Ireland, to hold office until the next Annual Meeting of Shareholders or until a successor is appointed, and authorizing the directors to fix the auditor's remuneration.
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If any amendments or variations to the matters identified above or in the Notice of Meeting are proposed at the meeting or any adjournment(s) thereof, or if any other matters properly come before the meeting or any adjournment(s) thereof, this proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the person or persons voting the proxy.

TO BE VALID, THIS PROXY MUST BE SIGNED AND DEPOSITED WITH EQUITY TRANSFER & TRUST COMPANY, 400-200 UNIVERSITY AVENUE, TORONTO, ONTARIO, M5H 4H1 or by fax at (416) 595-9593, PRIOR TO 4:30 PM ON JUNE 1, 2009, OR, IF THE MEETING IS ADJOURNED, 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE ANY ADJOURNMENT OF THE MEETING.

This proxy revokes and supersedes all proxies of earlier date.

THIS PROXY MUST BE DATED.

DATED _____ the day of _____, 2009.

Name of Shareholder (Please Print)

Signature of Shareholder

NOTES:

- (1) *A shareholder has the right to appoint a person to represent him at the meeting other than the management representatives designated in this proxy. Such right may be exercised by inserting in the space provided the name of the other person the shareholder wishes to appoint. Such other person need not be a shareholder.*
- (2) *If an individual, please sign exactly as your shares are registered. If the shareholder is a corporation, this proxy must be executed by a duly authorized officer or attorney of the shareholder and, if the corporation has a corporate seal, its corporate seal should be affixed.*

If shares are registered in the name of an executor, administrator or trustee, please sign exactly as the shares are registered. If the shares are registered in the name of a deceased or other shareholder, the shareholder's name must be printed in the space provided, the proxy must be signed by the legal representative with his name printed below his signature and evidence of authority to sign on behalf of the shareholder must be attached to this proxy.

- (3) *Reference is made to the accompanying management information circular for further information regarding completion and use of this proxy and other information relating to the meeting.*
- (4) *If a share is held by two or more persons, any one of them present or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote in respect thereof, but if more than one of them are present or represented by proxy they shall vote together in respect of the share so held.*
- (5) *If this proxy is not dated in the space provided, it is deemed to bear the date on which it is mailed by management of the Company.*
- (6) *A WITHHOLD option has been included in the proxy to enable a shareholder to abstain on any particular resolution. It should be noted that a WITHHOLD vote is not a vote in law and will not be counted in the calculation of the proportion of votes FOR and AGAINST a resolution.*

