

PEBBLEBROOK HOTEL TRUST

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee is a committee of the Board of Trustees. Its primary function is to assist the Board in fulfilling its oversight responsibilities by monitoring the integrity of the financial statements, the compliance by the Company with legal and regulatory requirements relating to the financial statements, and the independence and performance of the internal auditing process and external auditors.

Committee Membership

The membership of the Audit Committee shall consist of at least three independent trustees whose independence and experience meets the requirements of the New York Stock Exchange. Audit Committee members and the Audit Committee Chairman shall be designated by the Board of Trustees. In particular, the Chairman of the Audit Committee shall have accounting and financial management experience. No Audit Committee Member may receive any compensation from the Company other than fees for serving as a trustee and Audit Committee member.

Committee Authority and Responsibilities

The Audit Committee shall have the power to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation or as it deems necessary to carry out its duties. The Audit Committee shall meet at least four times per year, or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. To the extent they determine appropriate, the Audit Committee members may communicate outside such meetings with one another and with members of management and employees, and the independent auditors.

In addition to those set forth in this Charter, the Audit Committee will perform such other functions as assigned by law, the New York Stock Exchange or other exchange on which the Company's securities are then listed, the Company's Declaration of Trust or Bylaws, or the Board of Trustees.

In meeting its responsibilities, the Audit Committee is expected to:

1. Review and reassess the adequacy of this Charter annually and annually review its own performance.
2. Provide an open avenue of communication between the internal auditors or accounting employees, the independent auditors, and the Board of Trustees.

3. Have direct responsibility for the appointment, retention, compensation, termination and oversight of the Company's independent auditors.
4. Review and confirm the independence of the independent auditors.
5. Review the experience and qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor.
6. Pre-approve all audit and non-audit services provided to the Company by its independent auditors.
7. Discuss policies with respect to risk assessment and risk management and inquire of management and the independent auditors about significant risks or exposures with respect to financial reporting and assess the steps management has taken to deal with them.
8. Consider with management and the independent auditors the rationale for employing audit firms other than the principal independent auditors.
9. Review with management and the independent auditors the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
10. Consider and review with the independent auditors and management:
 - a. The adequacy of the Company's internal controls including, without limitation, computerized information system controls and security.
 - b. Any related audit problems, difficulties, significant findings and recommendations of the independent auditors together with management's responses thereto.
 - c. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the financial statements.
 - d. Discuss analyses prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, which shall include (i) a list of all material or critical accounting estimates, and the reasoning for the classification and (ii) an analysis of the effect of alternative GAAP methods on the Company's financial statements.
11. Prior to the annual audit of financial statements for the fiscal year, receive and review the audit plan from management, and review the audit plan with independent auditors.

12. Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Audit Committee, be done generally (*i.e.*, by discussing the types of information to be disclosed and the type of presentation to be made) and that the Audit Committee need not discuss in advance each earnings release or each instance in which the Company gives earnings guidance.
13. Obtain and review with the independent auditors at the completion of the annual audit of the financial statements for the fiscal year a report from the independent auditor describing: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and all relationships between the independent auditor and the Company, including the matters set forth in Independence Standards Board Standard No. 1. Discuss with the independent auditor any issues or relationships disclosed in such report that, in the judgment of the Audit Committee, may have an impact on the competence or independence of the independent auditor.
14. Review with management and the independent auditors at the completion of the annual audit of the financial statements for the fiscal year:
 - a. The Company's annual financial statements and related footnotes.
 - b. The independent auditors' audit of the financial statements and their report thereon.
 - c. Any significant changes required in the audit plan during the course of the audit.
 - d. Any serious difficulties or disputes with management encountered during the course of the audit.
 - e. Other matters related to the conduct of the audit which are to be communicated to the Audit Committee under generally accepted auditing standards.
15. Consider and review with management:
 - a. The plan for internal audits and changes made to the audit plan, including, without limitation, to the planned scope of the audit.
 - b. Significant findings during the year and management's responses thereto.
16. Review with management and the independent auditors prior to the filing thereof with the Securities and Exchange Commission (the "SEC") the Company's filings

with the SEC and other published documents containing the Company's financial statements (including the Company's correspondence to the SEC in response to SEC correspondence to the Company and other requests relating to such SEC filings and other published documents), and consider whether the information contained in these documents is consistent with the information contained in the financial statements. The Audit Committee shall discuss with management, in addition to other information contained in such filings, the portion entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

17. Review with management, other employees of the Company and the independent auditors each quarterly financial report before it is filed with the SEC, including the results of the independent auditors' reviews of the quarterly financial statements.
18. Review policies and procedures with respect to executive officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent auditors.
19. Review legal and regulatory matters that may have a material impact on the financial statements, and compliance policies in this regard.
20. Meet periodically with management, internal auditors and the independent auditors in separate executive sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.
21. Set clear hiring policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account.
22. Prepare an Audit Committee report as required by the SEC to be included in the Company's annual proxy statement.
23. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting and auditing matters.
24. Report regularly to the Board of Trustees with such recommendations, as the Audit Committee may deem appropriate.