

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PART II

ITEM 1. LEGAL PROCEEDINGS

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

SIGNATURES

EXHIBIT INDEX

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

Commission file number 001-11975

Boykin Lodging Company

(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-1824586
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Guildhall Building, Suite 1500, 45 W. Prospect Avenue Cleveland, Ohio	44115
(Address of Principal Executive Office)	(Zip Code)
(216) 430-1200	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

The number of common shares, without par value, outstanding as of November 9, 2001: 17,189,380

PART I

ITEM 1. FINANCIAL STATEMENTS

**BOYKIN LODGING COMPANY
INDEX TO FINANCIAL STATEMENTS**

BOYKIN LODGING COMPANY:

Consolidated Balance Sheets as of September 30, 2001 (unaudited) and December 31, 2000	3
Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2001 and 2000 (unaudited)	4
Consolidated Statement of Shareholders’ Equity for the Nine Months Ended September 30, 2001 (unaudited)	5
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2001 and 2000 (unaudited)	6
Notes to Consolidated Financial Statements	7

BOYKIN MANAGEMENT COMPANY LIMITED LIABILITY COMPANY AND SUBSIDIARIES:

Consolidated Balance Sheets as of September 30, 2001 (unaudited) and December 31, 2000	12
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2001 and 2000 (unaudited)	13
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2001 and 2000 (unaudited)	14
Notes to Consolidated Financial Statements	15

BOYKIN LODGING COMPANY
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2001 AND DECEMBER 31, 2000
(dollar amounts in thousands)

	(Unaudited) September 30, 2001	December 31, 2000
ASSETS		
Investment in hotel properties, net	\$551,879	\$565,224
Cash and cash equivalents	3,495	4,175
Rent receivable from lessees:		
Related party lessees	4,996	4,632
Third party lessees	1,311	652
Deferred expenses, net	4,902	6,200
Restricted cash	8,843	7,034
Investment in unconsolidated joint ventures	14,046	10,291
Other assets	2,344	2,385
	<u>\$591,816</u>	<u>\$600,593</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Borrowings against credit facility	\$ 30,000	\$ 29,500
Term notes payable	280,483	281,940
Accounts payable and accrued expenses	14,796	9,533
Dividends/distributions payable	—	6,791
Deferred lease revenue	8,776	—
Due to lessees:		
Related party lessees	1,687	2,056
Third party lessees	617	757
Minority interest in joint ventures	7,396	8,071
Minority interest in operating partnership	7,658	8,679
SHAREHOLDERS' EQUITY:		
Preferred shares, without par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common shares, without par value; 40,000,000 shares authorized; 17,183,264 and 17,146,938 shares outstanding at September 30, 2001 and December 31, 2000, respectively	—	—
Additional paid-in capital	312,105	311,493
Distributions in excess of income	(67,265)	(56,593)
Other comprehensive loss	(2,795)	—
Unearned compensation — restricted shares	(1,642)	(1,634)
	<u>240,403</u>	<u>253,266</u>
Total shareholders' equity	<u>\$591,816</u>	<u>\$600,593</u>

The accompanying notes to consolidated financial statements
are an integral part of these balance sheets.

BOYKIN LODGING COMPANY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(unaudited, amounts in thousands except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenues:				
Lease revenue from related party	\$15,087	\$18,886	\$41,162	\$45,118
Other lease revenue	2,327	2,877	8,827	10,048
Revenues related to hotel operations	1,696	1,768	5,121	5,032
Interest and other income	274	589	1,224	935
	<u>19,384</u>	<u>24,120</u>	<u>56,334</u>	<u>61,133</u>
Expenses:				
Real estate related depreciation and amortization	6,999	7,482	21,055	22,691
Real estate and personal property taxes, insurance and ground rent	2,667	2,666	8,173	7,940
General and administrative	1,514	1,477	4,447	4,371
Expenses related to hotel operations	1,426	1,519	4,052	4,016
Interest expense	5,376	6,367	16,691	17,768
Amortization of deferred financing costs	303	348	904	882
Gain on property insurance recovery	—	—	—	(407)
	<u>18,285</u>	<u>19,859</u>	<u>55,322</u>	<u>57,261</u>
Equity in income (loss) of unconsolidated joint ventures	<u>288</u>	<u>(45)</u>	<u>732</u>	<u>(123)</u>
Income before gain on sale of assets, minority interest, extraordinary item and one-time effect of change in accounting principle	1,387	4,216	1,744	3,749
Gain on sale of assets	—	—	240	—
Minority interest in joint ventures	(52)	(147)	356	(345)
Minority interest in operating partnership	(29)	(244)	46	(38)
Income before extraordinary item and one-time effect of change in accounting principle	<u>1,306</u>	<u>3,825</u>	<u>2,386</u>	<u>3,366</u>
Extraordinary item — loss on early extinguishment of debt	—	(686)	—	(686)
Income before one-time effect of change in accounting principle	<u>1,306</u>	<u>3,139</u>	<u>2,386</u>	<u>2,680</u>
One-time effect of change in accounting principle	—	—	(373)	—
Net income applicable to common shares	<u>\$ 1,306</u>	<u>\$ 3,139</u>	<u>\$ 2,013</u>	<u>\$ 2,680</u>
Comprehensive income (loss)	<u>\$ (898)</u>	<u>\$ 3,139</u>	<u>\$ (782)</u>	<u>\$ 2,680</u>
Income before extraordinary item and one-time effect of change in accounting principle per share:				
Basic	\$.08	\$.22	\$.14	\$.20
Diluted	\$.08	\$.22	\$.14	\$.19
Income before one-time effect of change in accounting principle per share:				
Basic	\$.08	\$.18	\$.14	\$.16
Diluted	\$.08	\$.18	\$.14	\$.15
Earnings per share:				
Basic	\$.08	\$.18	\$.12	\$.16
Diluted	\$.08	\$.18	\$.12	\$.15
Weighted average number of common shares outstanding:				
Basic	17,181	17,139	17,171	17,134
Diluted	17,240	17,316	17,229	17,317

The accompanying notes to consolidated financial statements
are an integral part of these statements.

BOYKIN LODGING COMPANY
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(unaudited, dollar amounts in thousands)

	Common Shares	Additional Paid-In Capital	Distributions in Excess of Income	Other Comprehensive Loss	Unearned Compensation	Total
Balance, December 31, 2000	17,146,938	\$311,493	\$(56,593)	\$ —	\$(1,634)	\$253,266
Issuance of common shares	36,326	612	—	—	(449)	163
Dividends declared — \$.73 per common share	—	—	(12,685)	—	—	(12,685)
Change in fair market of interest rate swap	—	—	—	(2,795)	—	(2,795)
Amortization of unearned compensation	—	—	—	—	441	441
Net income	—	—	2,013	—	—	2,013
Balance, September 30, 2001	17,183,264	\$312,105	\$(67,265)	\$(2,795)	\$(1,642)	\$240,403

The accompanying notes to consolidated financial statements
are an integral part of this statement.

BOYKIN LODGING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(unaudited, dollar amounts in thousands)

	2001	2000
Cash flows from operating activities:		
Net income	\$ 2,013	\$ 2,680
Adjustments to reconcile net income to net cash flow provided by operating activities-		
One-time effect of change in account principle	373	—
Extraordinary item — noncash loss on early extinguishment of debt	—	686
Gain on property insurance recovery	—	(407)
Gain on sale of assets	(240)	—
Depreciation and amortization	21,959	23,573
Amortization of unearned compensation	441	333
Equity in (income) loss of unconsolidated joint ventures	(732)	123
Deferred rent	8,776	12,601
Minority interests	(402)	383
Changes in assets and liabilities-		
Rent receivable	(1,023)	(7,001)
Restricted cash	(1,809)	(3,233)
Other assets	(174)	(1,346)
Accounts payable and accrued expenses	2,468	2,167
Due to lessees	(2,109)	(1,382)
Net cash flow provided by operating activities	29,541	29,177
Cash flows from investing activities:		
Investment in unconsolidated joint ventures	(3,979)	(6,270)
Improvements and additions to hotel properties	(18,012)	(13,062)
Net proceeds from sale of asset	12,374	—
Net proceeds from property insurance recovery	—	1,186
Net cash flow used for investing activities	(9,617)	(18,146)
Cash flows from financing activities:		
Payments of dividends and distributions	(20,418)	(26,165)
Net borrowings (repayments) against credit facility	500	(87,500)
Term note borrowings	—	108,000
Repayment of term note	(1,457)	(583)
Payment of deferred financing costs	—	(4,488)
Net proceeds from issuance of common shares	163	181
Distributions to joint venture minority interest partners, net	(320)	(92)
Distributions received from unconsolidated joint ventures	928	157
Net cash flow used for financing activities	(20,604)	(10,490)
Net change in cash and cash equivalents	(680)	541
Cash and cash equivalents, beginning of period	4,175	3,971
Cash and cash equivalents, end of period	\$ 3,495	\$ 4,512

The accompanying notes to consolidated financial statements
are an integral part of these statements.

BOYKIN LODGING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(dollar amounts in thousands except per share data)

1. BACKGROUND:

Boykin Lodging Company is a real estate investment trust that owns hotels throughout the United States and leases its properties to established hotel operators. As of September 30, 2001, Boykin owned interests in 33 hotels containing a total of 9,249 guest rooms located in 19 states.

Boykin’s principal source of revenue is lease payments from lessees pursuant to percentage lease agreements. Percentage lease revenue is based upon the room, food and beverage and other revenues of Boykin’s hotels. The lessees’ ability to make payments to Boykin pursuant to the percentage leases is dependent primarily upon the operations of the hotels. As of September 30, 2001, Boykin Management Company Limited Liability Company (“BMC”) and certain of its subsidiaries leased and/or managed 27 of the 33 hotels in which Boykin has ownership interests. Since a significant portion of Boykin’s revenue is received from BMC and its subsidiaries, the financial statements and footnotes of BMC and its subsidiaries, contained within this Form 10-Q, should be read in conjunction with Boykin’s financial statements and footnotes.

Formation and Significant Events

In November 1996, Boykin completed its initial public offering (“IPO”), and through Boykin Hotel Properties, L.P., an Ohio limited partnership (the “Partnership”), acquired nine hotel properties and leased them to BMC. BMC is indirectly owned by Robert W. Boykin, Chairman and Chief Executive Officer of Boykin Lodging Company (53.8%), and his brother, John E. Boykin (46.2%).

Since the IPO, Boykin has acquired 26 hotels by raising capital through a combination of common share issuances, various debt financings, capital from strategic joint venture partners and cash flow generated from operations. Boykin has also disposed of two hotels via exchange and sale. In 1998, Boykin raised net proceeds of approximately \$106.3 million in a follow-on public equity offering of 4.5 million common shares. In the same year, Boykin acquired Red Lion Inns Operating L.P. (“OLP”), which owns a portfolio of ten Doubletree-licensed hotels, through a merger with Red Lion Inns Limited Partnership valued at \$271.3 million. In the transaction, Boykin issued 3.1 million common shares, paid \$35.3 million in cash to the Red Lion partners and assumed liabilities of approximately \$155.7 million.

Consolidated Joint Ventures

Boykin currently has strategic alliances with three hotel operators and owns four hotels with them through joint venture structures. The following table sets forth the joint ventures established with these hotel operators:

Name of Joint Venture	Lessee/JV Partner	Boykin Ownership Percentage	Lessee/JV Ownership Percentage	Hotel Owned Under Joint Venture	Date of Hotel Purchase
BoyStar Ventures, L.P.	MeriStar	91%	9%	Holiday Inn Minneapolis West	July 1997
Shawan Road Hotel L.P.	Davidson	91%	9%	Marriott's Hunt Valley Inn	July 1997
Boykin San Diego LLC	Outrigger	91%	9%	Hampton Inn San Diego Airport/Sea World	November 1997
Boykin Kansas City LLC	MeriStar	80%	20%	Doubletree Kansas City	November 1997

Unconsolidated Joint Ventures

In February 1999, Boykin formed a joint venture with AEW Partners III, L.P. (“AEW”), an investment partnership managed by AEW Capital Management, L.P., a Boston-based real estate investment firm. Boykin has a 25% ownership interest in the joint venture. In August 1999, the Boykin/AEW venture formed and acquired a 75% ownership interest in Boykin Chicago, LLC, which purchased a hotel in downtown Chicago with a private investor. In 2000, Boykin purchased the 25% ownership interest in Boykin Chicago, LLC from the private investor for \$6.3 million, thereby increasing Boykin’s total ownership percentage in the hotel from 18.75% to 43.75%.

At the end of July 2001, Boykin formed a joint venture with Concord Hospitality Enterprises (“Concord”), a privately owned hotel investment and management company based in Cleveland, Ohio. Boykin has a 50% ownership interest in the joint venture, which acquired a 219-room full-service hotel in Lyndhurst, New Jersey.

Because of the non-controlling nature of Boykin’s ownership interests in these joint ventures, Boykin accounts for these investments using the equity method.

Basis of Presentation

The separate financial statements of Boykin, the Partnership, OLP and the consolidated joint ventures discussed above are consolidated because Boykin exercises unilateral control over these entities. All significant intercompany transactions and balances have been eliminated.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in Boykin’s annual report on Form 10-K for the year ended December 31, 2000.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

2. NET INCOME PER SHARE/PARTNERSHIP UNITS OUTSTANDING:

Boykin’s basic and diluted earnings per share for the three and nine months ended September 30, 2001 and 2000 are computed under the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, “Earnings per Share”.

Basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share adjusts the weighted average shares outstanding for the effect of all dilutive securities. At September 30, 2001 and 2000, there were a total of 1,291,114 basic and diluted limited partnership units issued and outstanding. For the three and nine months ended September 30, 2001 and 2000, the weighted average basic and diluted common shares and partnership units outstanding were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Common shares and limited partnership units:	2001	2000	2001	2000
Basic	18,472,591	18,430,349	18,462,465	18,425,153
Diluted	18,531,231	18,606,935	18,520,612	18,608,477

3. INTERCOMPANY CONVERTIBLE NOTE:

At the time of the IPO, Boykin loaned \$40,000 to the Partnership in exchange for an intercompany convertible note that carried a maturity date of November 2001 and earned interest at a rate equal to 9.75%, payable quarterly. The terms of the note have been renewed to extend the maturity date to November 2006 and, effective November 2001, amend the interest rate to 8.05%, payable quarterly. The note may be prepaid in full, but not in part, at any time. Boykin has the right to convert the note, prior to maturity and in advance of any proposed prepayment by the Partnership, into additional equity interests in the Partnership at face value based on the \$20 per share IPO price of Boykin's common shares. The note is secured by mortgages on certain hotel properties.

4. CREDIT FACILITY:

Boykin has a secured credit facility with a group of banks which enables it to borrow up to \$100,000, subject to borrowing base and loan-to-value limitations, at a rate that fluctuates at LIBOR plus 2.25% to 2.75% (6.0% as of September 30, 2001), as defined. Boykin is required to pay a .25% fee on the unused portion of the credit facility. The facility expires on July 11, 2003 and contains a one-year extension option. The credit facility is secured by eight hotel properties. Outstanding borrowings against the credit facility at September 30, 2001 and December 31, 2000 were \$30,000 and \$29,500, respectively.

The credit facility requires Boykin, among other things, to maintain a minimum net worth, a coverage ratio of EBITDA to debt service, and a coverage ratio of EBITDA to debt service and fixed charges. Further, Boykin is required to maintain the franchise agreement at each hotel and to maintain its REIT status. Boykin was in compliance with its covenants at September 30, 2001 and December 31, 2000.

5. TERM NOTES PAYABLE:

OLP has a \$130,000 term loan agreement that expires in June 2023 and may be prepaid without penalty after May 21, 2008. The loan bears interest at a fixed rate of 6.9% for ten years, and at a new fixed rate to be determined thereafter. The loan is secured by ten Doubletree hotels and requires principal repayments based on a 25-year amortization schedule. Under covenants in the loan agreement, assets of OLP are not available to pay the creditors of any other Boykin entity, except to the extent of permitted cash distributions from OLP to Boykin. Likewise, the assets of other Boykin entities are not available to pay the creditors of OLP. The loan agreement also requires OLP to hold funds in escrow for the payment of capital expenditures, insurance and real estate taxes. The term note also requires OLP to maintain certain financial reporting requirements. OLP was in compliance with these requirements at September 30, 2001 and December 31, 2000.

Boykin has a \$45,000 term loan agreement that expires in October 2002, with two additional one-year extensions, subject to the satisfaction of certain financial covenants, as defined in the agreement. The loan is secured by three hotel properties and bears interest at a rate that fluctuates at LIBOR plus 2% (5.8% at September 30, 2001). The loan agreement requires Boykin, among other things, to maintain a minimum net worth, a coverage ratio of EBITDA to debt service and fixed charges, and to maintain a leverage ratio below a specified level. Boykin is required to maintain the franchise agreement at each hotel and to maintain its REIT status. Boykin was in compliance with its covenants at September 30, 2001 and December 31, 2000.

Boykin Holding, LLC ("BHC"), a wholly-owned subsidiary of the Partnership, has a \$108,000 term loan agreement. The loan matures in July 2003 and contains two one-year extension options. The loan is secured by nine hotel properties and bears interest at a rate that fluctuates at LIBOR plus 2.35% (5.9% at September 30, 2001). Under covenants in the loan agreement, assets of BHC are not available to pay the creditors of any other Boykin entity, except to the extent of permitted cash distributions from BHC to Boykin. Likewise, the assets of other entities are not available to pay the creditors of BHC. The loan agreement also requires BHC to hold funds in escrow for the payment of capital expenditures, insurance and real estate taxes and requires BHC to maintain certain financial reporting requirements. BHC was in compliance with these requirements at September 30, 2001 and December 31, 2000.

In March 2001, the Partnership entered into an interest rate swap, which fixes the overall interest rate at 7.32% on \$83,000 of debt designated to BHC's \$108,000 term note until July 2003. BHC also has interest rate protection on the remaining \$25,000 to cap the overall loan interest rate at no more than 10.25%.

Maturities of long-term debt at September 30, 2001 are as follows:

2001	\$ 512
2002	47,111
2003	110,264
2004	2,402
2005	2,601
2006 and thereafter	117,593
	<u>\$280,483</u>

6. PERCENTAGE LEASE AGREEMENTS:

The percentage leases have noncancelable remaining terms ranging from less than one year to seven years, subject to earlier termination on the occurrence of certain contingencies, as defined in the leases. In the event that a lease is terminated prior to its expiration, Boykin would be required to pay the lessee the fair market value of its leasehold interest in the remaining lease term. The rent due under each percentage lease is the greater of minimum rent, as defined, or percentage rent. Percentage rent applicable to room and other hotel revenue varies by lease and is calculated by multiplying fixed percentages by the total amounts of such revenues over specified threshold amounts. Both the minimum rent and the revenue thresholds used in computing percentage rents are subject to annual adjustments based on increases in the United States Consumer Price Index (“CPI”). Percentage rent applicable to food and beverage revenues is calculated by multiplying fixed percentages by the total amounts of such revenues.

Actual payments due from tenants under the percentage leases were \$18,365 and \$24,243 for the three months ended September 30, 2001 and 2000, respectively. However, under the Securities and Exchange Commission Staff Accounting Bulletin (“SAB”) No. 101 “Revenue Recognition in Financial Statements,” percentage lease revenue is recorded net of deferred lease revenue of \$951 and \$2,480 for the three months ended September 30, 2001 and 2000, respectively. Actual payments due from tenants under the percentage leases were \$58,765 and \$67,766 for the nine months ended September 30, 2001 and 2000, respectively. Percentage lease revenue is recorded net of deferred lease revenue of \$8,776 and \$12,600 for the nine months ended September 30, 2001 and 2000, respectively. Under the provisions of SAB No. 101, a portion of Boykin’s percentage lease revenues are deferred in the first, second and third quarters, and will be recognized in the fourth quarter as specified targets are achieved. SAB No. 101 has no impact on Boykin’s interim cash flow or year-end results of operations.

Future minimum rentals (ignoring future CPI increases) to be received by Boykin from BMC and from other lessees pursuant to the percentage leases for each of the years in the period from 2001 to 2005 and in total thereafter are as follows:

	Related Party Lessees	Other Lessees	Totals
Remainder of 2001	\$11,314	\$ 2,635	\$ 13,949
2002	40,698	9,029	49,727
2003	14,619	7,095	21,714
2004	11,775	7,095	18,870
2005	10,065	7,095	17,160
2006 and thereafter	7,855	13,702	21,557
	<u>\$96,326</u>	<u>\$46,651</u>	<u>\$142,977</u>

7. RELATED PARTY TRANSACTIONS:

The Chairman and Chief Executive Officer of Boykin is the majority shareholder of BMC. BMC and Westboy LLC, a subsidiary of BMC, were a significant source of Boykin’s percentage lease revenue through September 30, 2001. At September 30, 2001 and December 31, 2000, Boykin had rent receivable of \$4,996 and \$4,632, respectively, due from related party lessees.

A wholly-owned subsidiary of BMC provides design, purchasing and project management services to Boykin for capital improvements at its hotels. Boykin paid \$613 for services through September 30, 2001, consisting of \$347

for design services, \$25 for purchasing services, \$57 for project management services and \$184 for reimbursement of expenses.

At September 30, 2001 and December 31, 2000, Boykin had a payable to related party lessees of \$1,687 and \$2,056, respectively, primarily for lease termination fees as of September 30, 2001 related to the sale of the Daytona hotel (Note 10) and for the reimbursement of capital expenditures and other transaction costs incurred on behalf of the Partnership and OLP.

Effective February 1, 2000, JerseyBoy LLC, a subsidiary of BMC ("JerseyBoy"), manages the Radisson Hotel Mt. Laurel pursuant to a management agreement. Boykin paid JerseyBoy management fees of \$51 and \$53 for the three month periods ended September 30, 2001 and 2000, respectively. Management fees paid for the nine months ending September 30, 2001 and 2000 were \$154 and \$151, respectively.

8. STATEMENT OF CASH FLOWS, SUPPLEMENTAL DISCLOSURES:

During the nine month period ended September 30, 2000, noncash financing transactions consisted of \$6,789 of dividends and Partnership distributions that were declared but not paid as of September 30, 2000. As of September 30, 2001, there were no dividends or Partnership distributions that were declared but not paid.

Interest paid during the nine month periods ended September 30, 2001 and 2000 was \$16,176 and \$17,532, respectively. During the first nine months of 2001, Boykin granted 52,750 common shares, valued at \$460, and cancelled 976 common shares, valued at \$11, under Boykin's Long-Term Incentive Plan.

9. NEW ACCOUNTING PRONOUNCEMENTS:

Effective January 1, 2001, Boykin adopted the provisions of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." This statement requires companies to carry all derivative instruments, including embedded derivatives, in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. This is typically accomplished using an interest rate swap or cap. For financial reporting purposes, the change in market value of the effective portion of the hedge flows through the other comprehensive income component of equity. All other changes will flow through earnings. In general, the amount of volatility will vary with the changes in market interest rates and the level of derivative activities during any period.

The impact of adopting SFAS No. 133 was the recognition of an unrealized loss of \$373, net of minority interest of \$32, related to Boykin's existing interest rate cap, which is reflected as a one-time effect of a change in accounting in Boykin's results of operations for the nine months ended September 30, 2001.

In March 2001, Boykin entered into an interest rate swap that fixes the overall interest rate on \$83,000 of debt at 7.32%. The fair market value of the swap as of September 30, 2001 is reflected as other comprehensive loss of \$2,795 in the equity section, with a corresponding liability in the accompanying balance sheet.

10. SALE OF ASSET

In January 2001, Boykin sold its Daytona Beach Radisson Resort for \$12,500 and recognized a gain of \$240. Netted against the gain is a lease termination fee of \$1,600 due to BMC in connection with the sale.

**BOYKIN MANAGEMENT COMPANY
LIMITED LIABILITY COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2001 AND DECEMBER 31, 2000
(dollar amounts in thousands)**

	(Unaudited) September 30, 2001	December 31, 2000
ASSETS		
Cash and cash equivalents	\$26,151	\$24,506
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$234 and \$114 at September 30, 2001 and December 31, 2000, respectively	9,469	11,436
Related party lessors	1,687	2,224
Other	219	241
Inventories	2,028	2,253
Property and equipment, net	292	300
Investment in Boykin Lodging Company	185	158
Prepaid expenses and other assets	2,370	2,318
	<hr/>	<hr/>
Total assets	\$42,401	\$43,436
	<hr/>	<hr/>
LIABILITIES AND MEMBERS' CAPITAL		
Rent payable to related party lessors	\$ 4,996	\$ 5,550
Accounts payable:		
Trade	2,932	5,358
Advance deposits	1,622	1,107
Bank overdraft liability	11,000	7,493
Accrued expenses:		
Accrued payroll	1,307	1,354
Accrued vacation	3,014	3,128
Accrued sales, use and occupancy taxes	1,391	1,733
Accrued management fee	202	2,474
Deferred management fee	6,000	2,979
Other accrued liabilities	4,455	5,608
	<hr/>	<hr/>
Total liabilities	36,919	36,784
	<hr/>	<hr/>
Members' capital:		
Capital contributed	3,000	3,000
Retained earnings	2,804	3,948
Accumulated other comprehensive loss	(322)	(296)
	<hr/>	<hr/>
Total members' capital	5,482	6,652
	<hr/>	<hr/>
Total liabilities and members' capital	\$42,401	\$43,436
	<hr/>	<hr/>

The accompanying notes to consolidated financial statements
are an integral part of these balance sheets.

BOYKIN MANAGEMENT COMPANY
LIMITED LIABILITY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(unaudited, dollar amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenues:				
Room revenue	\$37,049	\$48,579	\$119,106	\$133,874
Food and beverage revenue	15,489	18,731	51,270	55,868
Other hotel revenue	3,997	4,635	11,003	12,647
Other revenue	448	676	3,160	1,946
	<u>56,983</u>	<u>72,621</u>	<u>184,539</u>	<u>204,335</u>
Expenses:				
Departmental expenses of hotels:				
Rooms	9,532	11,566	29,886	32,142
Food and beverage	11,230	13,506	36,421	39,683
Other	2,199	2,486	6,095	6,636
Cost of goods sold of non-hotel operations	—	79	14	183
Percentage lease expense	15,949	22,803	52,903	61,537
General and administrative	6,432	7,196	20,673	20,907
Advertising and promotion	3,252	3,630	11,081	10,941
Utilities	2,048	2,760	6,347	7,439
Franchisor royalties and other charges	2,141	2,368	6,640	6,557
Repairs and maintenance	2,801	3,211	8,964	9,412
Depreciation and amortization	25	26	76	77
Management fee expense	1,650	2,314	5,407	6,357
Other expense	35	115	176	51
	<u>57,294</u>	<u>72,060</u>	<u>184,683</u>	<u>201,922</u>
Net income (loss)	<u>\$ (311)</u>	<u>\$ 561</u>	<u>\$ (144)</u>	<u>\$ 2,413</u>
Comprehensive income (loss)	<u>\$ (425)</u>	<u>\$ 503</u>	<u>\$ (170)</u>	<u>\$ 2,402</u>

The accompanying notes to consolidated financial statements
are an integral part of these statements.

**BOYKIN MANAGEMENT COMPANY
LIMITED LIABILITY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(unaudited, dollar amounts in thousands)**

	2001	2000
Cash flows from operating activities:		
Net income (loss)	\$ (144)	\$ 2,413
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	76	77
Changes in assets and liabilities:		
Accounts receivable	2,526	(2,389)
Inventories	225	52
Prepaid expenses and other assets	(52)	(92)
Rent payable	(554)	6,226
Accounts payable	1,596	2,874
Other accrued liabilities	(907)	1,461
Net cash provided by operating activities	<u>2,766</u>	<u>10,622</u>
Cash flows from investing activities:		
Property additions	(68)	(30)
Purchase of investment in Boykin Lodging Company	(53)	—
Net cash used for investing activities	<u>(121)</u>	<u>(30)</u>
Cash flows from financing activities:		
Distributions to members	(1,000)	(3,200)
Net cash used for financing activities	<u>(1,000)</u>	<u>(3,200)</u>
Net increase in cash and cash equivalents	1,645	7,392
Cash and cash equivalents, beginning of period	24,506	20,787
Cash and cash equivalents, end of period	<u>\$26,151</u>	<u>\$28,179</u>

The accompanying notes to consolidated financial statements
are an integral part of these statements.

**BOYKIN MANAGEMENT COMPANY
LIMITED LIABILITY COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(dollar amounts in thousands)**

1. DESCRIPTION OF BUSINESS:

Boykin Management Company Limited Liability Company and its subsidiaries (collectively, “BMC”):

- lease and operate full and limited service hotels located throughout the United States pursuant to long-term percentage lease agreements;
- manage full and limited service hotels located throughout the United States pursuant to management agreements;
- provide national purchasing services to hotels; and
- provide interior design and project management services to hotels and other businesses.

2. ORGANIZATION:

BMC was formed and commenced operations in November 1996 to continue and expand the 42-year history of hotel management of its predecessors, Boykin Management Company and its affiliates. BMC is an Ohio limited liability company that is indirectly owned by Robert W. Boykin (53.8%) and John E. Boykin (46.2%). Robert W. Boykin is the Chairman and Chief Executive Officer of Boykin Lodging Company. As of September 30, 2001, BMC and its subsidiaries lease and/or manage 27 hotels owned by Boykin Lodging Company and manage two other hotels owned by third parties.

BMC’s wholly-owned subsidiaries consist of the following entities:

- Spectrum Design Services, LLC (“Spectrum”) – a hotel design and project management company;
- Purchasing Concepts I, LLC (“PCI”) – a hotel food and beverage operating and purchasing company;
- Westboy, LLC (“Westboy”) – an entity that leases ten Doubletree-licensed hotels from Boykin Lodging Company;
- ChiBoy, LLC (“ChiBoy”) – an entity that manages a hotel in Chicago, Illinois, for an affiliate of Boykin Lodging Company;
- JerseyBoy, LLC (“JerseyBoy”) – an entity that manages a hotel owned by Boykin Lodging Company in Mt. Laurel, New Jersey;
- Boykin Enterprises, LLC – an entity that manages hotels and restaurants owned by third parties.

3. BASIS OF PRESENTATION:

The separate financial statements of BMC’s subsidiaries have been presented on a consolidated basis with BMC. All significant intercompany transactions and balances have been eliminated. These financial statements have been prepared in accordance with generally accepted accounting principles for the interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to BMC’s consolidated financial statements and footnotes thereto included in Boykin Lodging Company’s annual report on Form 10-K for the year ended December 31, 2000.

4. PERCENTAGE LEASE AGREEMENTS:

BMC Leases on 15 Hotels

BMC leases 15 hotels (the “BMC Hotels”) from the Partnership pursuant to long-term percentage leases. The BMC Hotels are located in Cleveland, Ohio; Columbus, Ohio; Buffalo, New York; Berkeley, California; Raleigh, North Carolina; Charlotte, North Carolina (2); High Point, North Carolina; Knoxville, Tennessee; Ft. Myers, Florida; Melbourne, Florida (2); San Antonio, Texas; Southfield, Michigan; and French Lick, Indiana.

The percentage leases have non-cancelable remaining terms ranging from less than one year to seven years, subject to earlier termination on the occurrence of certain contingencies, as defined in the leases. BMC is required to pay the higher of minimum rent, as defined, or percentage rent. Percentage rent applicable to room and other hotel revenue varies by lease and is calculated by multiplying fixed percentages by the total amounts of such revenues over specified threshold amounts. Percentage rent related to food and beverage revenues and other revenues, in some cases, is based on fixed percentages of such revenues. Both the threshold amounts used in computing percentage rent and minimum rent on room and other hotel revenues are subject to adjustments as of January 1 of each year based on increases in the United States Consumer Price Index (“CPI”).

For both annual and interim reporting purposes, BMC recognizes percentage lease expense pursuant to the provisions of the related percentage lease agreements.

Other than real estate and personal property taxes, casualty insurance, ground lease rental and capital improvements, which are obligations of the Partnership, the percentage leases require BMC to pay all costs and expenses incurred in the operation of the BMC Hotels.

The percentage leases require BMC to indemnify Boykin Lodging Company against all liabilities, costs and expenses incurred by, imposed on or asserted against the Partnership in the normal course of operating the BMC Hotels.

Westboy Lease on Ten Doubletree Hotels

Effective January 1, 1998, Westboy, LLC (“Westboy”), a wholly-owned subsidiary of BMC, entered into a long-term lease agreement with Red Lion Inns Operating L.P. (“OLP”) with terms similar to those described above. The ten Doubletree-licensed hotels (the “Doubletree Hotels”) leased by Westboy are located in California, Oregon (3), Washington (3), Colorado, Idaho and Nebraska. The hotels are managed by a subsidiary of Hilton Hotel Corporation (“Hilton”).

The initial term of Westboy’s percentage lease agreement expires December 31, 2002. Westboy has the option, but not the obligation, to renew the lease for additional five-year terms, or may negotiate new terms acceptable to both Westboy and OLP. The rent will be reset to market rental rates if any of the ten hotels are sold. Selected financial information of Westboy is as follows:

	Percentage Lease Expense	Net income (loss)
Year ended December 31, 1998	\$29,719	\$ 193
Year ended December 31, 1999	29,478	119
Year ended December 31, 2000	29,235	(1,217)
Nine months ended September 30, 2001	21,162	(1,966)
	September 30, 2001	December 31, 2000
Cash and cash equivalents	\$ 5,991	\$8,010
Member’s equity	(1,871)	95

Upon commencement of the lease agreement, BMC made an initial capital contribution to Westboy of \$1,000, of which \$900 was funded with a demand promissory note. Assets of Westboy are not available to pay the creditors of any other entity, except to the extent of permitted cash distributions from Westboy to BMC. Similarly, except to the extent of the unpaid promissory note, the assets of BMC are not available to pay the creditors of Westboy.

ChiBoy Lease on Executive Plaza Hotel

Effective July 1, 2001, the lease agreement between ChiBoy and Boykin Chicago LLC, an entity in which the Partnership has a 43.75% interest, was terminated. Subsequently, ChiBoy entered into a new management agreement with a subsidiary of Boykin Chicago LLC to manage the hotel located in Chicago, Illinois.

Future minimum rent (ignoring CPI increases) to be paid by BMC and Westboy under their respective percentage lease agreements at September 30, 2001 for each of the years in the period 2001 to 2005 and in total thereafter is as follows:

Remainder of 2001	\$11,314
2002	40,698
2003	14,619
2004	11,775
2005	10,065
2006 and thereafter	7,855
	<hr/>
	\$96,326
	<hr/>

5. RELATED PARTY TRANSACTIONS:

Percentage lease expense payable to the Partnership (including OLP) was \$48,971 and \$56,399 for the nine months ended September 30, 2001 and 2000, respectively. Percentage lease expense payable to Boykin Chicago was \$3,932 and \$5,138 for the nine months ended September 30, 2001 and 2000, respectively.

At September 30, 2001 and December 31, 2000, BMC (including Westboy) had receivables from the Partnership of \$1,687 and \$2,056, respectively, primarily for the reimbursement of expenses incurred on behalf of the Partnership as well as \$1,600 of lease termination fees at September 30, 2001 due from the Partnership associated with the sale of the Daytona Beach Radisson Resort. At December 31, 2000, ChiBoy had receivables from Boykin Chicago of \$168, primarily for the reimbursement of capital expenditure costs incurred on behalf of Boykin Chicago.

At September 30, 2001 and December 31, 2000, BMC had payables to the Partnership of \$4,996 and \$4,632, respectively, for amounts due pursuant to the percentage leases with the Partnership. At December 31, 2000, ChiBoy had payables to Boykin Chicago of \$918, for amounts due pursuant to the percentage lease with Boykin Chicago.

A wholly-owned subsidiary of BMC provides design, purchasing and project management services to Boykin for capital improvements at its hotels. Boykin paid \$613 for services through September 30, 2001, consisting of \$347 for design services, \$25 for purchasing services, \$57 for project management services and \$184 for reimbursement of expenses.

Effective February 1, 2000, JerseyBoy manages the Radisson Hotel Mt. Laurel pursuant to a management agreement. Management fee income from the Partnership was \$154 and \$151 for the nine months ended September 30, 2001 and 2000, respectively.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BACKGROUND AND BUSINESS STRATEGIES

Boykin Lodging Company, an Ohio corporation, is a real estate investment trust that currently owns interests in 33 hotels throughout the United States and leases its properties to established hotel operators. Our primary business strategies are:

- maximizing revenue growth in our hotels through –
 - strong management performance from our lessee/operators;
 - selective renovation;
 - expansion and development; and
 - brand repositioning;
- acquiring upscale, full-service commercial and resort hotels that will increase our cash flow and are purchased at a discount to their replacement cost; and
- developing strategic alliances and relationships with both a network of high-quality hotel operators and franchisors of the hotel industry’s premier upscale brands.

BOYKIN’S FORMATION AND RECENT EVENTS

We completed our initial public offering (“IPO”) in November 1996 and, through Boykin Hotel Properties, L.P., an Ohio limited partnership (the “Partnership”), we acquired nine hotel properties. Boykin Lodging Company currently has a 92.1% ownership interest in, is the sole general partner of and does all its business through the Partnership.

Since the IPO, we have acquired ownership interest in 26 hotels (including the ten-hotel portfolio discussed below) by raising capital through a combination of common share issuances, various debt financings, capital from strategic joint venture partners and cash flow generated from operations. We have also disposed of two hotels via exchange and sale.

- In 1998, we raised net proceeds of approximately \$106.3 million in a follow-on public equity offering of 4.5 million common shares.
- In the same year, we acquired a portfolio of ten Doubletree-licensed hotels through a merger with Red Lion Inns Limited Partnership valued at \$271.3 million. In the transaction, we issued 3.1 million common shares, paid \$35.3 million in cash to the Red Lion partners and assumed liabilities of approximately \$155.7 million.
- At September 30, 2001, we had \$310.5 million of debt outstanding under various debt instruments.
- We currently have strategic alliances with four hotel operators and own five hotels with them through joint venture structures. We also own a hotel located in downtown Chicago with AEW Partners III, L.P. (“AEW”) through a joint venture.

THIRD QUARTER HIGHLIGHTS AND OUTLOOK FOR THE REMAINDER OF 2001

Refer to the “Results of Operations” section below for discussion of our third quarter results compared to 2000 as well as the operational results of Boykin Management Company Limited Liability Company (“BMC”).

Impact of Economic Downturn and Events of September 11

The precipitous drop in demand for air travel in the aftermath of the September 11 terrorist attacks exacerbated the already weak hotel operating environment. The weak economic conditions kept our room revenue per available room (“REVPAR”) in July and August about 9% below last year. Our REVPAR in September was down 26% from last year, thus the entire quarter was down 14.5%. Since the September 11 tragedy, our hotel occupancy, as well as the occupancy of the hotel industry in general, has continued to be lower on a year over year basis.

Based on third quarter results and our current booking trends, which reflect continuing softening demand, our outlook is now for fourth quarter REVPAR to decline in the range of 15 to 20 percent compared with last year’s fourth quarter. Based upon these current assumptions, funds from operations (“FFO”) for 2001 should range between approximately \$33 million and \$35 million. For a definition of FFO, reconciliation of net income to FFO and discussion of why we believe FFO is an important measure to investors of a REIT’s financial performance, see “Results of Operations” section below.

As a result of the expected continued decline in revenue and cash flow, we anticipate that the Board of Directors may suspend the fourth quarter dividend. In the current year, we have paid dividends sufficient to maintain our REIT tax status. We do not intend to jeopardize our REIT status, so if the fourth quarter dividend is suspended, management would recommend the resumption of a regular dividend when our REVPAR and cash flow outlook supports such an action. When that happens, it could be at a materially lower rate than in the past.

As of September 30, 2001, we were not in default of any of our loan covenants, however, we anticipate that the impact of current and forecasted economic and industry trends on our financial results will affect our ability to comply with certain loan covenants as of the end of 2001 and in future periods. We are actively discussing these issues with our lenders in an effort to reach a timely resolution. For further discussion, refer to the “Liquidity and Capital Resources” section below.

We have developed strategies to manage the company through these tough times. We have focused on reducing our general and administrative costs by approximately ten percent. We have reevaluated our capital expenditure budget for 2002 and tentatively reduced it to approximately \$13.0 million, which is significantly below actual spending in previous years. We have been successful in appealing property tax assessments, resulting in approximately \$.4 million of savings related to 2001, and plan to aggressively continue this cost saving measure. Our lessees have also implemented plans to reduce annual fixed operating costs of the properties by approximately \$8.0 million. Due to falling volume, the lessees are also experiencing declines in variable costs such as housekeeping, hourly payroll and temporary cost savings related to the cutback of certain guest services and relaxation of brand standards.

Acquisitions

In July 2001, we formed a joint venture with Concord Hospitality Enterprises (“Concord”), a privately owned hotel investment and management company. The joint venture acquired a 219 room full-service hotel in Lyndhurst, New Jersey. We have a 50% ownership interest in the hotel through the joint venture. Our initial investment in the joint venture approximates \$3.5 million. Our share of the results of the joint venture will be reflected in our financial statements under the equity method of accounting. The joint venture will spend an estimated \$6 million renovating and adding guest rooms. Upon completion of the renovation, estimated to be in the spring of 2002, the hotel will be re-flagged as a Courtyard by Marriott. Our debt financing secured for the transaction will fund the renovation costs.

We continue to seek acquisitions and/or swap candidates for hotels in our portfolio, and we are being selective in terms of yield and earnings criteria. We intend to maintain a geographically diversified hotel portfolio and may also cluster hotels within certain primary markets in order to take advantage of operational and managerial economies of scale. We will acquire or develop additional hotel properties only as suitable opportunities arise, and will not undertake acquisition or development of properties unless adequate sources of capital and financing are available.

Capital Projects

We continued our renovation program during the third quarter, spending over \$18 million since the beginning of the year, or approximately nine percent of hotel revenues. A significant portion of this total, approximately \$3.0 million, relates to the renovation of the Doubletree Guest Suites in Southfield, Michigan. This project, with a total budget of \$5.5 million, was completed in October 2001 when the hotel was reflagged as an Embassy Suites. We have also spent approximately \$2.0 million thus far related to the Pink Shell Beach Resort projects discussed below. The remainder of this money was primarily spent renovating the guestrooms at our Hunt Valley and Columbus Marriotts, Berkeley Radisson and some of the Doubletree hotels. Excluded from these amounts is the anticipated \$19 million renovation of the Executive Plaza Hotel in Chicago and the anticipated \$6 million renovation of the Lyndhurst, New Jersey hotel in the Meadowlands area. The Chicago and Meadowlands renovations both commenced in the third quarter. The Chicago project is anticipated to stretch throughout most of 2002, while the Meadowlands project is expected to conclude in the first quarter of 2002. Our expected future equity contributions to the Chicago joint venture to fund this renovation total approximately \$4.5 million. As mentioned above, the Meadowlands renovation is expected to be fully funded through debt proceeds. We believe it is important to keep our hotels in first-class condition on a long-term basis in an effort to outperform the competition and to deliver superior REVPAR gains, and we are focusing our renovation activities on hotels in areas with the highest revenue potential.

Prior to the events of September 11, we commenced a \$3.0 million renovation of an existing 60-unit tower at our Pink Shell Beach Resort in Fort Myers. The renovation was completed in mid-November and we expect to begin selling these units as condominiums in the first quarter of 2002. We expect that the new unit owners would then make their units available to us by contract for rental as hotel rooms.

We also continue to work on an expansion project at the Pink Shell Beach Resort, which would increase the resort by 39 rooms. Although we are not obligated at this point to proceed with the project, our plan is to demolish 53 cottage units, or about 25% of the rooms at the resort. We would then construct a 92-unit tower that would significantly upgrade the character of the resort. The units in the new tower would be sold as condominiums, with the expectation that the owners would put their unused room nights back to the resort by contract. As with any renovation, the shorter-term effects may be a lower REVPAR and revenues, due to the demolition of the cottage units. The pre-marketing activity for the project has generated significant interest. At this point, we continue to work out details of permits and continue to market the condominiums. We are also assessing the potential impact that the economic downturn since September 11 may have on the project. If we decide to continue with this project, we now anticipate that it would not start until next spring.

Taxable REIT Subsidiary

Our Board of Directors has been evaluating changing our relationship with certain of our lessees by utilizing a taxable REIT subsidiary under the REIT Modernization Act. Under this tax structure, our hotels would be leased to a taxable REIT subsidiary we would own, which would then enter into management contracts with our former lessees or others. This would add over \$200 million in annual hotel revenue to our income statement, which would be offset by hotel operating expenses. If we implement this structure and it is effectively utilized, we expect that it would allow us to become more profitable, would align our operators' interests with ours, and would allow us to take advantage of opportunities unavailable to us under the lease structure, such as revenue and expense management initiatives that we could influence and monitor more closely.

BMC has made a proposal for us to implement this structure effective January 1, 2002 as it relates to hotels it leases from us, and the Board is now performing its due diligence on that proposal. If the transaction is implemented as it was proposed by BMC, we will report a significant one-time non-cash charge to earnings for lease termination costs in the fourth quarter of 2001. We can give no assurance that such a transaction will take place, or if it does, what the amount of this charge would be. Additionally, we can give no assurance that any of the benefits of the proposed transaction will materialize at expected levels.

We are also currently working with MeriStar regarding implementing taxable REIT subsidiaries for the properties they operate. If an agreement is reached, it is anticipated that the transaction would be also be effective January 1, 2002.

RESULTS OF OPERATIONS

The following discusses our results of operations and those of BMC for the three and nine months ended September 30, 2001 compared to the same periods in 2000.

Boykin Lodging Company

Quarter Ended September 30, 2001 Compared to 2000

Our FFO for the quarter ended September 30, 2001 was \$9.5 million compared to \$14.2 million in 2000.

Our percentage lease revenue decreased 20.0% to \$17.4 million in 2001, from \$21.8 million for the same period in 2000, due to a 13.2% decrease in consolidated hotel revenues. This decrease is the result of the weak hotel operating environment caused by the softening economy, which was worsened by the September 11 terrorist attacks. The decrease was also attributable to the sale of the Daytona Beach Radisson Resort in January 2001, which generated \$.4 million of percentage lease revenue in the third quarter of 2000. Percentage lease revenue payable by BMC and Westboy represented \$15.1 million, or 86.6% of total percentage lease revenue in the 2001 period, compared to \$18.9 million, or 86.8% of total percentage lease revenue, in 2000.

Net income decreased to \$1.3 million for the three months ended September 30, 2001, compared to \$3.1 million in 2000. As a percent of percentage lease revenue, net income was 7.5% of percentage lease revenues in 2001 versus 14.4% of percentage lease revenues in 2000, primarily because of the significant decrease in percentage lease revenues, as discussed above. This decrease in net income as a percentage of lease revenues existed even though we have experienced:

- a decrease in real estate related depreciation and amortization from \$7.5 million to \$7.0 million because of three assets held for sale as of September 30, 2001 for which no depreciation was charged in 2001, and;
- a decrease in interest expense from \$6.4 million in 2000 to \$5.4 million in 2001, primarily due to a decrease in interest rates on outstanding borrowings, and;
- no extraordinary charges in 2001 versus a \$.7 million loss on early extinguishment of debt in 2000.

Nine Months Ended September 30, 2001 Compared to 2000

Our FFO for the nine months ended September 30, 2001 was \$32.5 million compared to \$38.5 million in 2000.

Our percentage lease revenue decreased 9.4% to \$50.0 million in 2001, from \$55.2 million for the same period in 2000. The year to date decrease is primarily related to third quarter trends, as discussed above, as well as the sale of the Daytona Beach Radisson Resort in January 2001, which generated \$1.5 million of percentage lease revenue in 2000. The inclusion of \$.3 million of percentage lease revenue in the first nine months of 2000 related to Mt. Laurel Radisson, which we took over in February 2000, also caused a decrease in 2001 percentage lease revenue. In 2001, instead of percentage lease revenues, Mt. Laurel's hotel revenues and expenses are separately reflected in the results of operations. Percentage lease revenue payable by BMC and Westboy represented \$41.2 million, or 82.3% of total percentage lease revenue in the 2001 period, compared to \$45.1 million, or 81.8% of total percentage lease revenue, in 2000.

Net income decreased to \$2.0 million for the nine months ended September 30, 2001, compared to \$2.7 million in 2000. As a percent of percentage lease revenue, net income was 4.0% of percentage lease revenues in 2001 versus 4.9% of percentage lease revenues in 2000, primarily because of the following items:

- a charge of \$.4 million in 2001 for the one-time effect of a change in accounting principle related to the write-down of a derivative asset pursuant to new accounting rules under SFAS No. 133, and;
- a gain on property insurance recovery of \$.4 million recorded in 2000 related to property damage at our two Melbourne, Florida hotels in late 1999.

The decrease in net income was offset by the following items:

- a decrease in real estate related depreciation and amortization from \$22.7 million to \$21.1 million because of three assets held for sale for which no depreciation was charged in 2001, and;
- a decrease in interest expense from \$17.8 million to \$16.7 million primarily due to a decrease in interest rates on outstanding borrowings, and;
- a \$.2 million gain on the sale of our Daytona Beach Radisson Resort, recorded in 2001.

The White Paper on Funds From Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”) in October 1999 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of properties and extraordinary items, plus real estate related depreciation and amortization, and after comparable adjustments for our portion of these items related to unconsolidated entities and joint ventures. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with another indication of the ability of a company to incur and service debt, to make capital expenditures and to fund other cash needs.

We compute FFO in accordance with the NAREIT White Paper except that, on an interim basis only, we add back deferred rent under SAB 101, which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than us. FFO does not represent cash generated from operating activities determined by GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions. FFO may include funds that may not be available for management’s discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions, and other commitments and uncertainties. The following is a reconciliation between net income and FFO for the three and nine months ended September 30, 2001 and 2000, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net income	\$1,306	\$ 3,139	\$ 2,013	\$ 2,680
Deferred rent	951	2,480	8,776	12,600
Real estate related depreciation and amortization	6,999	7,482	21,055	22,691
Minority interest	81	391	(402)	383
Gain on property insurance recovery	—	—	—	(407)
Gain on sale of assets	—	—	(240)	—
One-time effect of change in accounting principle	—	—	373	—
Loss on early extinguishment of debt	—	686	—	686
Equity in (income) loss of unconsolidated joint ventures	(288)	45	(732)	123
FFO applicable to joint venture minority interest	458	(15)	1,690	(273)
Funds from operations	\$9,507	\$14,208	\$32,533	\$38,483

The following table illustrates key operating statistics of our portfolio for the three and nine months ended September 30, 2001 and 2000 (revenue amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
All Hotels (33 hotels)(a)				
Hotel revenues	\$74,510	\$86,761	\$231,355	\$247,869
REVPAR	\$ 60.14	\$ 70.31	\$ 62.27	\$ 66.09
Occupancy	65.5%	73.9%	65.5%	69.3%
Average daily rate	\$ 91.80	\$ 95.13	\$ 95.11	\$ 95.42
Comparable Hotels (30 hotels)(b)				
Hotel revenues	\$69,314	\$80,238	\$213,808	\$228,720
REVPAR	\$ 60.62	\$ 70.28	\$ 62.21	\$ 65.93
Occupancy	66.1%	74.2%	65.5%	69.5%
Average daily rate	\$ 91.75	\$ 94.67	\$ 94.94	\$ 94.86
Doubletree Portfolio (10 hotels)				
Hotel revenues	\$26,085	\$29,444	\$ 79,265	\$ 83,249
REVPAR	\$ 61.65	\$ 69.12	\$ 60.29	\$ 62.12
Occupancy	72.6%	79.0%	69.3%	72.4%
Average daily rate	\$ 84.88	\$ 87.53	\$ 87.00	\$ 85.81

- (a) Includes all hotels owned by Boykin at the end of the quarter, including predecessors' results.
- (b) Includes hotels owned by Boykin in both periods.

BMC

Quarter Ended September 30, 2001 Compared to 2000

For the quarter ended September 30, 2001, BMC’s hotel revenues decreased 21.4%, to \$56.5 million, compared to \$71.9 million for the same period in 2000. The decrease was primarily because of the effect of the September 11 terrorist attacks, the sale of the Daytona Beach Radisson Resort in January 2001, and the continued softening demand from the slowing economy. Net loss was \$.3 million for the quarter ended September 30, 2001 compared to net income of \$.6 million in 2000.

Percentage lease expense for the quarter ended September 30, 2001 decreased 30.1%, to \$15.9 million, compared to \$22.8 million for the same period in 2000, primarily due to the loss in hotel revenue from the aftermath of the events of September 11, the sale of Daytona and the declining demand as a result of the slowing economy.

Departmental hotel operating expenses, consisting of rooms expenses, food and beverage costs, and other departmental operating expenses decreased 16.7% to \$23.0 million from \$27.6 million, primarily because of declining occupancies and hotel revenues. Other hotel expenses consisting of franchise fees, advertising and promotion expenses, utilities, repairs and maintenance, management fees, and other general and administrative expenses of the hotels were \$18.4 million in the quarter ended September 30, 2001 compared to \$21.6 million for the same period in 2000. Despite the decreases in expenses, as a percent of hotel revenues, the departmental and other hotel operating expenses increased to 73.1% in 2001 from 68.5% in 2000 because of the declining revenue. Rooms expense as a percentage of rooms revenues increased to 25.7% in 2001 versus 23.8% in 2000 due to REVPAR declines from the softening demand.

As a reaction to the falloff in business, BMC has begun to take action to control costs. Plans have been implemented to reduce fixed overhead costs by approximately \$6.3 million annually. The reductions are comprised of payroll cuts and elimination of non-essential services. These fixed overhead cost savings are independent of the additional reduction in variable costs, such as housekeeping payroll experienced as a result in falloff of volume and temporary reductions in guest service brand standards.

Nine months ended September 30, 2001 compared to 2000

For the nine months ended September 30, 2001, BMC’s hotel revenues decreased 10.4%, to \$181.4 million, compared to \$202.4 million for the same period in 2000. The decrease was primarily due to lower revenues in both rooms and food and beverage operations due to declining demand and economic conditions experienced during 2001 and the sale of the Daytona Beach Radisson Resort in January 2001. BMC recorded net loss of \$.1 million for the nine months ended September 30, 2001 compared to net income of \$2.4 million in 2000.

The percentage lease expense for the nine months ended September 30, 2001 decreased 14.0%, to \$52.9 million, compared to \$61.5 million for the same period in 2000 due to the decrease in hotel revenues. Departmental hotel operating expenses, consisting of rooms expenses, food and beverage costs, and other departmental operating expenses decreased 7.7% to \$72.4 million from \$78.5 million, primarily because of declining occupancies and hotel revenues. Other hotel expenses consisting of franchise fees, advertising and promotion expenses, utilities, repairs and maintenance, management fees, and other general and administrative expenses of the hotels were \$59.4 million and \$61.9 million for the nine month periods ended September 30, 2001 and 2000, respectively. Despite the decreases in expenses, as a percent of hotel revenues, the departmental and other hotel operating expenses increased to 72.7% in 2001 from 69.4% in 2000 because of the declining revenue. Rooms expense as a percentage of rooms revenues increased to 25.1% in 2001 versus 24.0% in 2000 due to REVPAR declines from the softening demand.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of cash to meet our cash requirements and distributions to shareholders is our share of the Partnership's cash flow from the percentage leases. The lessees' obligations under the percentage leases are unsecured and the lessees' ability to make rent payments to the Partnership under the percentage leases are dependent on the lessees' ability to generate sufficient cash flow from the operation of the hotels.

As of September 30, 2001, we had \$3.5 million of unrestricted cash and cash equivalents and \$8.8 million of restricted cash for the payment of capital expenditures, real estate taxes and insurance, and we had outstanding borrowings totaling \$30 million and \$280.5 million against our credit facility and term notes payable, respectively. In October and November, we borrowed an additional \$6 million under our credit facility, bringing the total outstanding borrowings on the facility to \$36 million.

We have a \$100 million credit facility available, as limited under terms of the credit agreement, to fund acquisitions of additional hotels, renovations and capital expenditures, and our working capital needs. For information relating to the terms of our credit facility and our \$130 million, \$45 million, and \$108 million term notes payable, please see Notes 4 and 5, respectively, of the Notes to Consolidated Financial Statements of Boykin Lodging Company included in this Form 10-Q. We may seek to negotiate additional credit facilities or issue debt instruments. Any debt incurred or issued by us may be secured or unsecured, long-term, medium-term or short-term, bear interest at a fixed or variable rate, and be subject to such other terms as the Board of Directors considers prudent. The availability of borrowings under the credit facility is restrained by borrowing base and loan-to-value limits, as well as other financial performance covenants contained in the agreement. There can be no assurance that funds will be available in anticipated amounts from the credit facility.

Our \$130 million and \$108 million term notes payable are property-specific mortgages and pose no covenant compliance issues going forward. The \$36 million currently drawn on the credit facility and the \$45 million term note contain covenant formulas regarding the company's overall leverage and debt service coverage. As of September 30, 2001, we were not in violation of these covenants, however, based upon fourth quarter 2001 projections discussed above, we anticipate being in violation of certain covenants as of the end of 2001 and in future periods. We are actively discussing these issues with our lenders to reach a timely resolution. It is still too early to speculate the ultimate outcome of these discussions and, therefore, we can provide no assurance that we will be able to reach an accommodation with our lenders. If we are able to obtain credit agreement amendments or waivers, no assurance can be given that our interest expense will remain at current levels. No assurance can be given that our lenders will agree to continue making advances on our \$100 million credit facility under the current terms, or at all.

Westboy, LLC ("Westboy"), a wholly-owned subsidiary of BMC, leases ten Doubletree-licensed hotels owned by Red Lion Inns Operating L.P. ("OLP") pursuant to a percentage lease agreement. The initial term of Westboy's percentage lease agreement expires December 31, 2002. Westboy has the option, but not the obligation, to renew the lease for additional five-year terms, or may negotiate new terms acceptable to both Westboy and OLP. The rent will be reset to market rental rates if any of the ten hotels are sold. Refer to Note 4 of the Notes to Consolidated Financial Statements of BMC included in this Form 10-Q for selected financial information related to Westboy. For the nine months ended September 30, 2001, Westboy recognized a net loss of \$2.0 million. Due to the uncertainty of revenue and cash flow projections, it is unclear if Westboy will be able to continue making its percentage lease payments over the next 12 months. There can be no assurance that Westboy will be able to continue making percentage lease payments at the current rate over the long term. In addition, no assurance can be given that the new lease terms with Westboy, or any other party, after 2002 will be made at the current rate.

In 2001, we expect to spend approximately \$23.0 million on renovations at our hotels. This figure excludes the Chicago Executive Plaza and Meadowlands projects discussed below, but includes renovating the guestrooms and public space at our newly-reflagged Embassy Suites in Southfield, Michigan at a cost of approximately \$5.5 million and completing guestroom renovations at our Berkeley Marina Radisson, Hunt Valley Marriott and Columbus Marriott, which were substantially complete at the end of the third quarter. We expect to use cash available from operations and restricted capital expenditure reserves, as well as borrowings under our line of credit, to fund our remaining 2001 renovations.

In the third quarter 2001, we commenced an approximately \$19 million renovation of the Executive Plaza Hotel in Chicago, Illinois, of which we intend to provide approximately \$4.5 million of equity funding utilizing availability under our line of credit. The Meadowlands project, which also began in the third quarter 2001, is fully funded by financing obtained in conjunction with the acquisition of the hotel. If we proceed with the approximate \$27 million Pink Shell hotel expansion described in the “Third Quarter Highlights and Outlook for the Remainder of 2001” section above, we intend to fund construction costs through draws on our \$100 million credit facility, or through separate debt financing. No assurance can be given that such financing will be available to us; however, we do not intend to start the project unless such financing is provided for.

We have an active shelf registration statement with the Securities and Exchange Commission for the issuance of up to \$187.5 million in securities. Securities issued under this registration statement may be preferred shares, depository shares, common shares or any combination thereof, and may be issued at different times, depending on market conditions. Warrants to purchase these securities may also be issued. The terms of issuance of any securities covered by this registration statement would be determined at the time of their offering.

INFLATION

Our revenues are from percentage leases, which can change based on changes in the revenues of our hotels, as well as from CPI adjustments in the percentage lease rent formulas, which are adjusted each year accordingly with the CPI. Therefore, we rely entirely on the performance of the hotels and the lessees’ ability to increase revenues to keep pace with inflation. Operators of hotels in general, and our lessees, can change room rates quickly, but competitive pressures may limit the lessees’ ability to raise rates to keep pace with inflation.

Our general and administrative costs, as well as real estate and personal property taxes, property and casualty insurance and ground rent, are subject to inflation.

SEASONALITY

Our hotels’ operations historically have been seasonal. Twenty-nine of our hotels maintain higher occupancy rates during the second and third quarters. The four hotels located in Florida experience their highest occupancy in the first quarter. This seasonality pattern can be expected to cause fluctuations in our quarterly lease payments received under the percentage leases. To the extent that cash flow from operations is insufficient to make distributions during any quarter because of temporary or seasonal fluctuations in percentage lease revenue, we expect to utilize cash on hand or borrowings to make those distributions. No assurance can be given that we will make distributions in the future at the current rate, or at all.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our primary market risk exposure consists of changes in interest rates on borrowings under our debt instruments that bear interest at variable rates that fluctuate with market interest rates. These debt instruments include our \$100 million secured credit facility, our \$45 million secured term loan, our \$108 million term loan and our share of floating rate debt under our unconsolidated joint ventures of \$18.8 million.

We have entered into both variable and fixed rate debt arrangements to allow us to optimize the balance of using variable rate debt versus fixed rate debt. Our variable rate debt allows us to maximize financial flexibility when selling properties and minimize potential prepayment penalties on fixed rate loans. Our \$130 million, 6.9% fixed rate term note allows us to minimize our interest rate risk exposure. In March 2001, we also purchased interest protection on \$83 million of our floating rate debt that fixes the overall interest rate on this debt at no more than 7.32%. Based on the new interest protection, approximately 68% of our consolidated outstanding debt at September 30, 2001 and December 31, 2000 is fixed-rate in nature. The weighted average interest rate of our variable rate debt was 5.9% as of September 30, 2001.

We review interest rate exposure quarterly in an effort to minimize the risk of interest rate fluctuations. It is our policy to manage our exposure to fluctuations in market interest rates on our borrowings through the use of fixed rate debt instruments, to the extent that reasonably favorable rates are obtainable with such arrangements, and after considering the need for financial flexibility related to our debt arrangements. We may enter into forward interest rate agreements, or similar agreements, to hedge our variable rate debt instruments where we believe the risk of adverse changes in market rates is significant. Under a forward interest rate agreement, if the referenced interest rate increases, we would be entitled to a receipt in settlement of the agreement that economically would offset the higher financing cost of the debt issued. If the referenced interest rate decreases, we would make payments in settlement of the agreement, creating an expense that economically would offset the reduced financing cost of the debt issued. Other than the interest protection agreement discussed above, we do not have any other material market-sensitive financial instruments.

We do not believe that changes in market interest rates will have a material impact on the performance or fair value of our hotel portfolio because the value of our hotel portfolio is based primarily on the operating cash flow of the hotels, before interest expense charges. However, a change of 1/4% in the index rate to which our variable rate debt is tied would change our annual interest incurred by \$.25 million, based upon the balances outstanding on our variable rate instruments at September 30, 2001.

As discussed in the “Liquidity and Capital Resources” section, we expect to default on certain loan covenants in future periods. We can not provide assurance as to the impact on interest rates should these covenants be violated or upon the results of negotiation with the lenders.

PART II

ITEM 1. LEGAL PROCEEDINGS

Our company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect our financial condition or results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) Exhibits

- | | | |
|-----|-----|---|
| 3.1 | (a) | Amended and Restated Articles of Incorporation, as amended |
| 3.2 | (b) | Code of Regulations |
| 4.1 | (b) | Specimen Share Certificate |
| 4.2 | (a) | Dividend Reinvestment and Optional Share Purchase Plan |
| 4.3 | (c) | Shareholder Rights Agreement, dated as of May 25, 1999 between Boykin Lodging Company and National City Bank, as rights agent |
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- | | |
|-----|--|
| (a) | Incorporated by reference from Boykin’s form 10-Q for the quarter ended June 30, 1999. |
| (b) | Incorporated by reference from Amendment No. 3 to Boykin’s Registration Statement on Form S-11 (Registration No. 333-6341) (the “Form S-11”) filed on October 24, 1996. Each of the above exhibits has the same exhibit number in the Form S-11. |
| (c) | Incorporated by reference as Exhibit 1 from the registration statement on Form 8-A filed on June 10, 1999. |

(b) Reports on Form 8-K

None.

FORWARD LOOKING STATEMENTS

This Form 10-Q contains statements that constitute forward-looking statements. Those statements appear in a number of places in this Form 10-Q and the documents incorporated by reference herein and include statements regarding our intent, belief or current expectations or those of our directors or officers with respect to:

- Leasing, management or performance of the hotels;
- Boykin’s plans for expansion, conversion or renovation of the hotels;
- Adequacy of reserves for renovation and refurbishment;
- Potential acquisitions and dispositions by Boykin;
- Boykin’s financing plans and the outcome of successful negotiation with lenders related to anticipated loan covenant violations;
- Boykin’s policies regarding investments, acquisitions, dispositions, financings, conflicts of interest and other matters; and
- Trends affecting Boykin’s or any hotel’s financial condition or results of operations.

You are cautioned that any such forward-looking statement is not a guarantee of future performance and involves risks and uncertainties, and that actual results may differ materially from those in the forward-looking statement as a result of various factors. The factors that could cause actual results to differ materially from our expectations include, among other factors, financial performance, real estate conditions, execution of hotel acquisition or disposition programs, changes in local or national economic conditions and their impact on the occupancy of our hotels, war, terrorism, hurricanes, changes in interest rates, changes in local or national supply and construction of new hotels, changes in profitability and margins and the financial condition of our lessees, and other similar variables. The information contained in this Form 10-Q and in the documents incorporated by reference herein and Boykin’s periodic filings with the Securities and Exchange Commission also identifies important factors that could cause such differences.

With respect to any such forward-looking statement that includes a statement of its underlying assumptions or bases, we caution that, while we believe such assumptions or bases to be reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, we or our management express an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished.

SIGNATURES

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

November 14, 2001	<div>/s/ Robert W. Boykin</div> <div>Robert W. Boykin</div> <div>Chairman of the Board</div> <div>and Chief Executive Officer</div> <div>(Principal Executive Officer)</div>
November 14, 2001	<div>/s/ Paul A. O’Neil</div> <div>Paul A. O’Neil</div> <div>Chief Financial Officer and Treasurer</div> <div>(Principal Accounting Officer)</div>

EXHIBIT INDEX

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 - (c) Incorporated by reference as Exhibit 1 from the registration statement on Form 8-A filed on June 10, 1999.