

Chatham Lodging Trust
Form 8-K
January 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): January 31, 2014

CHATHAM LODGING TRUST
(Exact name of Registrant as specified in its charter)

| | | |
|---|---------------------------------------|--|
| Maryland (State or Other Jurisdiction of Incorporation or Organization) | 001-34693 (Commission File Number) | 27-1200777 (I.R.S. Employer Identification No.) |
| 50 Cocoanut Row, Suite 211 Palm Beach, Florida (Address of principal executive offices) | 33480 (Zip Code) | |
| (561) 802-4477 (Registrant's telephone number, including area code) | | |
| Not Applicable (Former name or former address, if changed from last report) | | |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 31, 2014, the Board of Trustees (the "Board") of Chatham Lodging Trust (the "Company") approved, as recommended by the Compensation Committee of the Board (the "Compensation Committee"), compensatory arrangements in which the executive officers of the Company will participate. The arrangements include compensation for 2013 and 2014 and are described in further detail below.

Cash Bonus Compensation for 2013

Upon the recommendations of the Compensation Committee, the Board approved payment of cash bonuses to each of the Company's three named executive officers for performance in 2013. To reward their execution of the Company's investment strategy and successful capital markets activities in a challenging economic environment, the Board awarded to each of these executives a cash bonus for 2013 as follows:

- Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer, awarded \$900,000.
- Dennis M. Craven, the Company's Executive Vice President and Chief Financial Officer, awarded \$315,000.
- Peter Willis, the Company's Executive Vice President and Chief Investment Officer, awarded \$315,000.

2014 Compensation

The key elements of the Company's 2014 compensation program are base salary, annual cash incentive awards, time-based restricted share incentive awards and performance-based equity incentive awards, pursuant to the Company's Equity Incentive Plan (the "Plan"). The following disclosure describes the material terms of the elements and, where applicable, the awards and target awards which have been approved by the Compensation Committee for the Company's three named executive officers. The structure and amounts are based, in large part, on the recommendations of a third-party compensation consultant, retained by the Compensation Committee, who reviewed and analyzed the compensation levels and programs of peer companies.

Base Salary and Annual Cash Incentive Awards

The Board approved, as recommended by the Compensation Committee, the following base salary for 2014 for each of the named executive officers:

| Name | 2014 Base Salary |
|---------------|------------------|
| Jeff Fisher | \$500,000 |
| Dennis Craven | \$335,000 |
| Peter Willis | \$335,000 |

For each executive, any cash bonus awards for 2014 will be determined at the sole discretion of the Compensation Committee and the Board based on the Company's continued implementation of its business plan.

Time-Based Restricted Share Incentive Awards

Each named executive officer is eligible to receive time-based restricted share incentive awards in the form of restricted common shares of the Company. For 2014, the Compensation Committee awarded restricted common shares, which will vest ratably on January 31, 2015, January 31, 2016 and January 31, 2017 (provided that the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company), to Messrs. Fisher, Craven, and Willis as follows:

| Name | Time-Based Restricted Share Grant | Grant Date Fair Value |
|---------------|-----------------------------------|-----------------------|
| Jeff Fisher | 23,517 | \$500,000 |
| Dennis Craven | 8,232 | \$175,000 |
| Peter Willis | 7,056 | \$150,000 |

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The grant date fair value of these awards was calculated in accordance with FASB ASC 718 and based on the closing price per share of the Company's common shares on January 30, 2014. Prior to vesting, each named executive officer will be entitled to receive dividends on the common shares subject to the awards and will be entitled to vote the shares.

Performance-Based Equity Incentive Awards

The Compensation Committee approved target 2014 performance-based equity incentive awards that may be awarded in the form of restricted common shares of the Company, subject to fulfillment of the conditions described below. The common shares that are issuable pursuant to the 2014 performance-based equity incentive awards may be issued and vest only if and to the extent that (i) the Company's shareholders approve an increase in the number of total shares eligible for issuance under the Plan, (ii) the Company achieves certain long-term performance criteria established by the Compensation Committee and (iii) the recipient remains employed by the Company through the vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company.

If the Company's shareholders approve an increase in the number of total shares eligible for issuance under the Plan, the 2014 performance-based equity incentive awards will be granted effective upon approval of the amended Plan by the Company's shareholders. The 2014 performance-based equity incentive awards will vest on January 15 in 2015, 2016 and 2017, to the extent that the performance goals are achieved and provided that the recipient remains employed by the Company through the vesting date. Prior to vesting, the recipients will not be entitled to vote or receive dividends on the common shares subject to the 2014 performance-based equity incentive awards. However, dividends paid on the shares between the grant date and the vesting date will be accumulated and paid when, and to the extent that, the award vests. To the extent that the 2014 performance-based equity awards vest, the recipient will receive an additional cash payment based on the dividends paid on common shares between January 29, 2014, and the date that the shares are issued following shareholder approval of the amended Plan.

The interest in the common shares covered by the performance-based share awards described above shall become vested based on the company's Total Shareholder Return. "Total Shareholder Return" means, with respect to any calendar year, the total percentage return per common share based on the closing price of the Company's common shares on the last day of the preceding calendar year compared to the closing price of the Company's common shares on the last day of such calendar year and assuming contemporaneous reinvestment in common shares of all dividends and other distributions at the closing price of the Company's common shares on the date such dividend or other distribution was paid. The performance-based share awards shall become vested based on the following:

- (a) The interest in the number of common shares that most nearly equals (but does not exceed) one-third of the common shares covered by this share award shall be vested on January 15, 2015, if the Total Shareholder Return for calendar year 2014 is 8% or more.
- (b) The interest in the number of Common Shares that most nearly equals (but does not exceed) one-third of the common shares covered by this share award shall be vested on January 15, 2016, if the Total Shareholder Return for calendar year 2015 is 8% or more.
- (c) The interest in the number of common shares that most nearly equals (but does not exceed) one-third of the common shares covered by this share award shall be vested on January 15, 2017, if the Total Shareholder Return for calendar year 2016 is 8% or more.
- (d) The interest in the number of common shares that most nearly equals (but does not exceed) two-thirds of the common shares covered by this share award (less any common shares that vested under paragraph (a) and paragraph (b)), shall be vested on January 15, 2016, if the average Total Shareholder Return for calendar years 2014 and 2015 is 8% or more.
- (e) The interest in all of the common shares covered by this share award (less any common shares that vested under paragraphs (a), paragraph (b), paragraph (c) and paragraph (d)), shall be vested on January 15, 2017, if the average Total Shareholder Return for calendar years 2014, 2015 and 2016 is 8% or more.

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The target maximum amounts of performance-based restricted share grants to each of the named executive officers are as follows:

| Name | Target Performance-Based Restricted Share Grant |
|---------------|---|
| Jeff Fisher | 23,517 |
| Dennis Craven | 8,232 |
| Peter Willis | 7,056 |

Based solely on the closing price per share of the Company's common shares on January 30, 2014, the value of the target number of shares issuable pursuant to the performance-based share incentive awards to Messrs. Fisher, Craven and Willis would be \$500,000, \$175,000 and \$125,000, respectively. To the extent the performance-based awards are granted and vest, the Company will estimate the aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures, and will calculate the value at the grant date based on the probable outcome of the performance conditions.

The executive officers will execute share award agreements for both the time-based and performance-based restricted share incentive awards substantially in the form of the share award agreements attached as exhibits to the Company's May 8, 2012 Form 10-Q filing, which are incorporated by reference herein.

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 hereunto duly authorized.

CHATHAM LODGING TRUST

January 31, 2014

By: Dennis M. Craven

Name: Dennis M. Craven

Title: Executive Vice President and Chief Financial Officer