

Chesapeake Lodging Trust  
Form PRE 14A  
March 23, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**CHESAPEAKE LODGING TRUST**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than The Registrant)**

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Dear Shareholder:

On behalf of the Board of Trustees, we are pleased to invite you to attend the 2017 Annual Meeting of Shareholders of Chesapeake Lodging Trust, to be held on May 17, 2017 at 9 a.m., local time, at the Courtyard Washington Capitol Hill/Navy Yard, located at 140 L Street, SE, Washington, DC 20003. You may attend the meeting in person or by proxy. Only shareholders or their legal proxy holders will be allowed to attend the 2017 Annual Meeting. To be admitted to the 2017 Annual Meeting, you must present a form of government-issued photo identification and an admission ticket, valid proof of ownership of the Trust's common shares as of March 27, 2017 or a valid legal proxy. Please refer to page 42 of this proxy statement for more logistical information about attending the 2017 Annual Meeting.

Your vote is important. We strongly urge you to cast your vote as soon as possible, even if you currently plan to attend the meeting in person. You may vote your shares by following the instructions on the proxy card or the voting instruction card you received.

We appreciate your investment in the Trust and look forward to seeing you at our 2017 Annual Meeting.

Sincerely,

Thomas A. Natelli

Chairman of the Board of Trustees

James L. Francis

President and Chief Executive Officer

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**NOTICE OF THE 2017 ANNUAL MEETING**

The 2017 Annual Meeting of Shareholders (the "2017 Annual Meeting") of Chesapeake Lodging Trust, a Maryland real estate investment trust (the "Trust"), will be held at the time and place and for the purposes indicated below.

**Time and Date:** 9 a.m., local time, on May 17, 2017.

**Place:** Courtyard Washington Capitol Hill/Navy Yard  
140 L Street, SE, Washington, DC 20003

**Items of Business:** To elect seven trustees from the nominees named in the attached proxy statement to serve until the 2018 Annual Meeting or until their successors are elected and qualified (Proposal 1);

To ratify the appointment of Ernst & Young LLP as the Trust's independent registered public accounting firm for the year ending December 31, 2017 (Proposal 2);

To approve an amendment to the Trust's charter that would, if approved, permit shareholders to act to amend our bylaws (Proposal 3);

To approve, through a non-binding advisory vote, the Trust's executive compensation program (Proposal 4);

To hold an advisory vote on the frequency of future non-binding advisory votes on the Trust's executive compensation program (Proposal 5); and

To transact such other matters as may properly come before the meeting and any adjournment or postponement thereof.

**Recommendations of the Board:** The Board of Trustees unanimously recommends that you vote on the proxy card or voting instruction form as follows:

FOR each of the trustee nominees in Proposal 1, FOR Proposal 2, FOR Proposal 3, FOR Proposal 4; and Every Year with respect to Proposal 5.

**Adjournments and Postponements:** Any action on the items of business described above may be considered at the 2017 Annual Meeting at the time and on the date specified above or at any time and date to which the 2017 Annual Meeting may be properly adjourned or postponed.

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**Record Date:**

Our Board of Trustees has set March 27, 2017 as the record date for determining the holders of the Trust's common shares that are eligible to vote at the 2017 Annual Meeting.

**Voting:**

**Your vote is very important.** To ensure your representation at the meeting, please vote your shares as soon as possible, even if you currently plan to attend. You are urged to submit your proxy card in the envelope provided to you so that your shares can be voted at the 2017 Annual Meeting in accordance with your instructions. For specific instructions on voting, please refer to the instruction on voting beginning on page 2 or on the proxy card or voting instruction form.

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If you have any questions or require any assistance voting your shares, please contact our proxy solicitor at the following telephone numbers or address:

MacKenzie Partners

(212) 929-5500 or toll-free (800) 322-2885

105 Madison Ave, 17th Floor, New York, New York 10016

**Corporate Headquarters:**  
By Order of the Board of Trustees

4300 Wilson Boulevard, Suite 625, Arlington, Virginia 22203

Graham J. Wootten,

Senior Vice President,

Chief Accounting Officer and Secretary

April 7, 2017

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**CHESAPEAKE LODGING TRUST**

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**2017 ANNUAL MEETING OF SHAREHOLDERS**

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**PROXY STATEMENT**

**2017 ANNUAL MEETING**

**May 17, 2017**

**GENERAL INFORMATION**

We are providing these proxy materials in connection with the solicitation by the Board of Trustees (the Board) of Chesapeake Lodging Trust of proxies to be voted at our 2017 Annual Meeting and at any adjournment or postponement. The proxies will be used at our 2017 Annual Meeting to be held on May 17, 2017 beginning at 9 a.m., local time, at the Courtyard Washington Capitol Hill/Navy Yard, located at 140 L Street, SE, Washington, DC 20003.

The proxy materials include our Notice of the 2017 Annual Meeting and Proxy Statement. These materials also include the proxy card and postage-paid return envelope or voting instruction form for the 2017 Annual Meeting.

This proxy statement contains important information regarding our 2017 Annual Meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information that you may find useful in determining how to vote, and describes voting procedures. Our proxy materials are first being distributed on or about April 7, 2017 to holders of record of our common shares of beneficial interest at the close of business on March 27, 2017.

**Purpose of the Meeting**

Shareholders are being asked to vote on the following matters at the 2017 Annual Meeting:

the election of seven trustee nominees, identified in Proposal 1, to the Board;

the ratification of the appointment of Ernst & Young LLP as the Trust's independent registered public accounting firm for the year ending December 31, 2017 as set forth in Proposal 2;

the approval of an amendment to the Trust's charter that would, if approved, permit shareholders to act to amend our bylaws as set forth in Proposal 3;

the approval, on a non-binding advisory basis, of the Trust's executive compensation program as set forth in Proposal 4;

to recommend, through a non-binding advisory vote, the frequency of future non-binding advisory votes on the Trust's executive compensation program as set forth in Proposal 5; and

the consideration of any other appropriate matters properly brought before the meeting or any adjournment or postponement of the meeting.

Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the 2017 Annual Meeting.

**Recommendations of the Board of Trustees**

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The Board recommends that you vote as follows:

**FOR** election of seven trustee nominees nominated by the Board and named in Proposal 1;

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**FOR** ratification of the appointment of Ernst & Young LLP as the Trust's independent registered public accounting firm for the year ending December 31, 2017 as set forth in Proposal 2;

**FOR** approval of the proposed charter amendment as set forth in Proposal 3;

**FOR** approval of the Trust's executive compensation program as set forth in Proposal 4; and

**EVERY YEAR** with respect to the frequency of future non-binding advisory votes on the Trust's executive compensation program as set forth in Proposal 5.

If you grant a proxy on your proxy card, the persons named as proxy holders, James L. Francis, Douglas W. Vicari and Graham J. Wootten, or any of them, will have the discretion to vote your shares on those matters for which such action is permitted by Rule 14a-4(c) at the meeting or any adjournment or postponement thereof. If any of our nominees becomes unable or for good cause unwilling to serve, the persons named as proxy holders will vote all shares represented by your validly submitted proxy for such other candidate or candidates as may be nominated by the Board.

### **Who May Attend the Meeting and Vote**

Only holders of record of our common shares outstanding at the close of business on the record date of March 27, 2017 will be entitled to receive notice of and to vote at the meeting or at any adjournment or postponement of the 2017 Annual Meeting. On the record date, we had 60,095,429 common shares issued and outstanding.

Only shareholders or their legal proxy holders will be allowed to attend the 2017 Annual Meeting. To be admitted to the 2017 Annual Meeting, you must present a form of government-issued photo identification and an admission ticket, valid proof of ownership of the Trust's common shares as of March 27, 2017 or a valid legal proxy. Please refer to page 42 of this proxy statement for more logistical information about attending the 2017 Annual Meeting.

### **Quorum**

The presence in person or by proxy of the holders of a majority of the outstanding common shares will constitute a quorum for the transaction of business at the 2017 Annual Meeting. Abstentions and broker non-votes, as described below, will be counted in determining whether a quorum exists. If the shareholders present or represented by proxy at the 2017 Annual Meeting constitute holders of less than a majority of the shares entitled to vote, the meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

### **Voting Rights**

Each holder of common shares is entitled to cast one vote for each common share owned on March 27, 2017, the record date of the 2017 Annual Meeting. With respect to the election of each nominee for trustee and with respect to all other matters with the exception of Proposal 5, shareholders may vote For, Against or Abstain. With respect to Proposal 5, shareholders may vote Every Year, Every 2 Years, Every 3 Years or Abstain.

### **Voting Your Shares**

***Voting shares prior to, or without attending, the 2017 Annual Meeting.*** We strongly urge you to cast your vote as soon as possible, even if you currently plan to attend the meeting in person. Whether you hold shares directly as the shareholder of record or through a bank, broker, trustee or other nominee as the beneficial owner, you may direct how your shares are voted prior to, or without attending, the 2017 Annual Meeting.

Shareholders of record may submit proxies by completing, signing, and dating their proxy card and returning it in the accompanying pre-addressed, postage-prepaid envelope. Your proxy card must be received no

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later than May 16, 2017 for your shares to be voted at the 2017 Annual Meeting. If you are a beneficial owner, that is, you hold your common shares through a bank, broker, trustee or other nominee, you must provide your nominee with appropriate voting instructions as set forth on the voting instruction card you receive from your nominee no later than 11:59 p.m. EDT on May 16, 2017. If you do not provide your nominee with these instructions, your nominee will not have discretionary authority to vote your shares on your behalf on Proposals 1, 3, 4, or 5, which are non-routine matters. As a result, your failure to provide these instructions will result in a broker non-vote for Proposals 1, 3, 4, and 5. Beneficial owners may provide instructions to their bank, broker, trustee or other nominee holding their shares in one of these three ways:

**By Internet** Beneficial owners may give instructions over the Internet by following the instructions on the voting instruction card you received from your nominee.

**By Telephone** Beneficial owners may give instructions by telephone by calling the number on the voting instruction card you received from your nominee and following the instructions. You will need to have the control number that appears on the proxy or voting instruction card available when voting.

**By Mail** Beneficial owners may give instructions by completing, signing and dating their voting instruction card received from your nominee and mailing it in the accompanying pre-addressed, postage-prepaid envelope.

We encourage you to provide voting instructions to the organization that holds your shares. Please return your completed proxy card or voting instruction form to your broker and contact the person responsible for your account, or vote by internet or telephone so that your vote can be counted.

***Voting shares in person at the 2017 Annual Meeting.*** Shares held in your name as the shareholder of record may be voted in person at the 2017 Annual Meeting. Shares for which you are the beneficial owner but not the shareholder of record may be voted in person only if you obtain a legal proxy from the bank, broker, trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the 2017 Annual Meeting, we recommend that you vote by proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

***If additional matters are presented at the 2017 Annual Meeting.*** Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the 2017 Annual Meeting. If you grant a proxy, the persons named as proxy holders, James L. Francis, Douglas W. Vicari and Graham J. Wooten, or any of them, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If any nominee becomes unable or for good cause unwilling to serve, the Board may recommend a substitute nominee. The shares represented by all validly submitted proxies may be voted in favor of the election of such substitute nominee.

## **Changing Your Vote**

You may change your vote before the vote at the 2017 Annual Meeting in accordance with the following procedures. If you are a shareholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically **revokes** the earlier proxy), by providing a written notice of revocation to our Secretary at the Trust's headquarters address in Arlington, Virginia, no later than May 16, 2017, or by attending the 2017 Annual Meeting and voting in person. Attendance at the meeting alone will not cause your previously granted proxy to be revoked unless you specifically make that request. For shares you hold beneficially in the name of a bank, broker, trustee or other nominee, you may change your vote by submitting new voting instructions to your bank, broker, trustee or nominee by 11:59 p.m. EDT on May 16, 2017, or, if you have obtained a legal proxy from your bank, broker, trustee or other nominee giving you the right to vote your shares, by attending the 2017 Annual Meeting and voting in person.

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### **Required Vote**

***Election of Trustees.*** Under our bylaws, to be elected in an uncontested election, trustee nominees must receive the affirmative vote of a majority of the votes cast, which means that the number of shares voted for a nominee must exceed the number of shares voted against that nominee. Common shares not voted (whether by abstention, broker non-vote or otherwise) will not be counted as a vote cast for or against a nominee's election.

If an incumbent trustee were to fail to be re-elected by a majority of votes cast, that trustee would be required under our bylaws to tender his or her resignation to the Board. The Nominating and Corporate Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board is required to act on the Committee's recommendation and publicly disclose its decision and its rationale within 90 days after the election results are certified. Notwithstanding the foregoing, our bylaws require the Board to accept any such resignation if the nominee has received more votes against than for his or her election at each of two consecutive annual meetings of shareholders.

***Ratification of Independent Registered Public Accounting Firm.*** Approval of this proposal requires that the number of votes cast for the proposal exceeds the number of votes cast against the proposal. Any common shares not voted (whether by abstention, broker non-vote or otherwise) will not affect the vote.

***Amendment of our Charter to Permit our Shareholders to Act to Amend our Bylaws.*** Approval of this proposal requires the affirmative vote of the holders of not less than a majority of our common shares outstanding and entitled to vote at the 2017 Annual Meeting. Any common shares not voted (whether by abstention, broker non-vote or otherwise) will have the effect of a vote against Proposal 3.

***Non-binding Advisory Vote to Approve the Trust's Executive Compensation Program.*** Approval of this proposal requires that the number of votes cast for the proposal exceeds the number of votes cast against the proposal. Any common shares not voted (whether by abstention, broker non-vote or otherwise) will not affect the vote. Although this proposal is not binding on us, the Board and its Compensation Committee will consider the results of the shareholder vote in determining future executive compensation matters.

***Non-binding Advisory Vote on the Frequency of Future Non-binding Advisory Votes on the Trust's Executive Compensation Program.*** Generally, under our bylaws, action on a matter is approved if the votes cast for the proposal exceed the votes cast against the proposal. On this matter, however, shareholders may vote for any of the alternatives, but not against. Because there are several alternatives, it is possible that no single alternative will be favored by a majority of the votes cast. As this proposal is advisory, it will not be binding on us, and the Board and its Compensation Committee may determine to hold an advisory vote on executive compensation more or less frequently than the option favored by our shareholders. However, the Board values our shareholders' opinions and will consider the outcome of the vote when determining the frequency of future non-binding advisory votes on executive compensation. Abstentions and broker non-votes will have no effect on the outcome of the vote on this proposal.

### **Proxy Solicitation Costs**

The Trust will pay the cost of preparing, assembling, printing, mailing, and distributing its proxy materials. We will also bear the cost of soliciting votes. The Trust will provide copies of these proxy materials to banks, brokerage houses, fiduciaries, and custodians holding in their names our common shares beneficially owned by others so that they may forward these proxy materials to the beneficial owners. Our trustees, officers or employees may solicit proxies or votes for us in person, or by mail, telephone, electronic communication or other means. They will not receive any additional compensation for these solicitation activities. We will enlist the help of banks, brokers and other nominee holders in soliciting proxies for the 2017 Annual Meeting from their customers who are beneficial owners of our common shares and will reimburse those firms for their reasonable

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related out-of-pocket expenses. MacKenzie Partners, Inc. has been retained to assist us in the solicitation of proxies, for which they will receive an estimated fee of \$10,000, plus reimbursement of their normal and customary expenses.

### **Inspector of Elections**

The inspector of elections will be a representative from our transfer agent, American Stock Transfer & Trust Company, LLC.

## **CORPORATE GOVERNANCE AND BOARD MATTERS**

### **Corporate Governance Highlights**

The Board and the Trust have instituted strong corporate governance practices, a number of which are described below, to ensure that the Trust operates in ways that support the long-term interests of our shareholders. Important corporate governance practices of the Trust include the following:

All of our trustees are elected annually.

We have a majority vote standard for trustee elections and a trustee resignation policy.

We do not have a shareholder rights plan (poison pill), and the Board is generally restricted from adopting a poison pill without prior shareholder approval unless compelled by its fiduciary duties to adopt one.

We have opted out of Maryland's anti-takeover statutes, and may not elect to take advantage of these to deter a change in control without future shareholder approval.

Five of our seven trustees are independent, including our Chairman.

We have a robust shareholder engagement program and are responsive to the feedback received from our shareholders regarding corporate governance matters.

We separate the positions of Chairman and CEO.

Our trustees and senior executives are subject to meaningful share ownership guidelines.

Mergers and other business combinations involving the Trust generally may be approved by a simple majority vote.

We maintain a policy that prohibits trustees and senior executives from hedging and pledging shares they own in the Trust.

The Chesapeake Lodging Trust Equity Plan, or Equity Plan, contains a clawback policy which requires our chief executive officer, chief financial officer and certain other individuals to reimburse us for certain incentive-based compensation if we are required to



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prepare an accounting restatement in certain circumstances.

The Compensation Discussion and Analysis section of this proxy statement discusses in more detail the Trust's compensation-related governance practices, which are designed to align the interests of management with those of our shareholders.

If the proposed charter amendment as set forth in Proposal 3 is approved by our shareholders at the 2017 Annual Meeting, our shareholders will be permitted to act to amend our bylaws or make new bylaws.

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### **Board Leadership Structure and Role in Risk Oversight**

Our Board consists of seven trustees. Our Board is elected annually by our shareholders in accordance with our bylaws. Our bylaws provide that a majority of the entire Board may establish, increase or decrease the number of trustees, provided that the number of trustees shall never be less than one or more than eleven. All of our executive officers serve at the discretion of our Board.

The Board exercises substantial independent oversight over the Trust's business. As discussed in greater detail below, a majority of the trustees on the Board, including our non-executive Chairman of the Board, are independent under the New York Stock Exchange ( NYSE ) listing standards, and each of the Board's Audit, Compensation, and Nominating and Corporate Governance Committees are comprised entirely of independent trustees. Also, by separating the roles of Chief Executive Officer and Chairman of the Board, we ensure a greater role for our independent trustees in the oversight of the Trust. We believe this leadership structure is most appropriate for us because, in addition to enhancing independent oversight, it also enables our Chief Executive Officer to focus on the day-to-day leadership and performance of the Trust. In 2016, the Board held 11 meetings and each trustee attended at least 75% of all meetings of the Board and the standing committees of the Board on which he served. It is our policy that Board members attend our annual meetings of shareholders. All of them did so in 2016, and we anticipate that each of them will attend the 2017 Annual Meeting. The Board believes that evaluating how senior management identifies, assesses, manages and monitors the various risks confronting the Trust is one of its most important areas of oversight. In carrying out this critical responsibility, the Board oversees the Trust's risk management function through regular discussions with senior management. While the Board has primary responsibility for overseeing the Trust's risk management function, each committee of the Board also considers risk within its area of responsibility. For example, the Audit Committee is primarily responsible for reviewing risks relating to accounting and financial controls, and the Compensation Committee reviews risks related to compensation matters. The Board is apprised by the committee chairs of significant risks and management's response to those risks via periodic reports. While the Board and its committees oversee the Trust's risk management function, management is responsible for implementing day-to-day risk management processes and reporting to the Board and its committees on such matters.

### **Trustee Independence and Corporate Governance**

Our Board consists of seven trustees, each of whom is identified below. Aside from Messrs. Francis and Vicari, our Board has determined that each of our trustees is independent, as defined by the NYSE listing standards. Our Board has three committees, the principal functions of which are briefly described below. Each of these committees is comprised entirely of independent trustees, as defined by the NYSE listing standards. Moreover, the Compensation Committee is comprised exclusively of individuals intended to qualify as non-employee trustees for purposes of Rule 16b-3 of the Exchange Act of 1934 and outside trustees for purposes of Section 162(m) of the Internal Revenue Code.

We have adopted charters for all three of our standing Board committees. You may obtain current copies of these charters on the Corporate Governance page of our website at [www.chesapeakelodgingtrust.com](http://www.chesapeakelodgingtrust.com).

**Audit Committee.** Our Audit Committee is comprised of Messrs. Eckert, Nuechterlein and McKenzie. Mr. Eckert chairs the committee. Each of the members of the Audit Committee has been determined by our Board to be an audit committee financial expert within the meaning of applicable Securities and Exchange Commission (the SEC) rules. Our Audit Committee met four times in 2016.

The Audit Committee's primary duties and assigned roles are to:

serve as an independent and objective body to monitor and assess our compliance with legal and regulatory requirements, our financial reporting processes and related internal control systems and the performance, generally, of our internal audit function;

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oversee the audit and other services of our independent registered public accounting firm and be directly responsible for the appointment, independence, qualifications, compensation and oversight of the independent registered public accounting firm, who reports directly to the Audit Committee;

provide an open avenue of communication among the independent registered public accounting firm, financial and senior management, the firm to which the Trust has outsourced its internal auditing function and our Board;

resolve any disagreements between management and the independent registered public accounting firm regarding financial reporting;

review and discuss with management policies and guidelines to govern the process by which management assesses and manages the Trust's risks, including the Trust's major financial risk exposures and the steps management has taken to monitor and control such exposures; and

consider and approve certain transactions between us and our trustees, executive officers, trustee nominees or 5% or greater beneficial owners, any of their immediate family members or entities affiliated with them.

**Compensation Committee.** Our Compensation Committee is comprised of Messrs. Hill, Natelli and Eckert. Mr. Hill chairs the committee. Our Compensation Committee met twice in 2016.

The Compensation Committee's principal functions are to:

evaluate the performance of and compensation paid by us to our President and Chief Executive Officer and other executive officers and trustees;

administer the Equity Plan;

conduct a risk assessment of the Trust's overall compensation policies; and

produce a report on executive compensation required to be included in our proxy statement for our annual meeting of shareholders or our Annual Report on Form 10-K, including the Compensation Discussion and Analysis section.

Pursuant to its charter, the Compensation Committee has the authority to delegate any of its authority or responsibilities to individual members of the committee or a subcommittee of the Compensation Committee, but did not delegate any of its responsibilities during 2016. The Compensation Committee also has the authority to retain outside compensation consultants for advice. The Compensation Committee is directly responsible for the appointment, compensation and oversight of any such consultant, and the Trust is responsible for providing appropriate funding for payment of reasonable compensation to any such consultant, as determined by the Compensation Committee. In selecting a consultant, the Compensation Committee evaluates its independence by considering the following six factors and any other factors the Compensation Committee deems relevant to the consultant's independence from management:

provision of other services to the Trust by the person that employs the consultant;

amount of fees paid by the Trust to the person that employs the consultant, as a percentage of that person's total revenue;

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policies and procedures of the person that employs the consultant regarding prevention of conflicts of interest;

any business or personal relationship between the consultant and any member of the Compensation Committee;

ownership by the consultant of the Trust's shares; and

any business or personal relationship between the consultant, or any person that employs the consultant and any executive officer of the Trust.

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In 2016, the Compensation Committee retained Frederic W. Cook & Co. ( FW Cook ) as an independent consultant to advise it on executive compensation matters and to conduct a comprehensive review of the design and structure of the Trust's executive compensation program. The Compensation Committee considered the above six factors and determined that FW Cook qualifies as an independent compensation consultant in accordance with applicable SEC and NYSE rules. For a further discussion of the Compensation Committee's decision-making processes with respect to executive compensation, as well as the advice provided by FW Cook, see Compensation Discussion and Analysis below.

***Nominating and Corporate Governance Committee.*** Our Nominating and Corporate Governance Committee is comprised of Messrs. McKenzie, Hill and Nuechterlein. Mr. McKenzie chairs the committee. Our Nominating and Corporate Governance Committee met once in 2016. The Nominating and Corporate Governance Committee's principal functions are to:

identify individuals qualified to become Board members and recommend to our Board candidates for election or re-election to the Board;

consider and make recommendations to our Board concerning the size and composition of our Board, committee structure and makeup, retirement policies and procedures affecting Board members; and

take a leadership role with respect to the development, implementation and review of our corporate governance principles and practices.

The Nominating and Corporate Governance Committee's charter sets forth certain criteria for the committee to consider in evaluating potential trustee nominees. The charter requires that the committee select nominees who have the highest personal and professional integrity, who shall have demonstrated exceptional ability and judgment and who shall be most effective, in conjunction with the other nominees to the Board, in collectively serving our long-term interests and those of our shareholders. The committee also is required to assess whether the candidate possesses the skills, knowledge, perspective, broad business judgment and leadership, relevant specific industry or regulatory affairs knowledge, business creativity and vision, experience, age and diversity, all in the context of an assessment of the perceived needs of the Board at that time. For those trustee candidates that appear upon first consideration to meet the committee's criteria, the committee will engage in further research to evaluate their candidacy.

In making recommendations for trustee nominees for election at an annual meeting of shareholders, the Nominating and Corporate Governance Committee will consider any written suggestions received by our Secretary, not less than 90, nor more than 120 days prior to the anniversary of the prior year's annual meeting of shareholders. Suggestions must be mailed to our Secretary at our corporate headquarters. The manner in which trustee nominee candidates suggested in accordance with this policy are evaluated does not differ from the manner in which candidates recommended by other sources are evaluated.

## **Executive Sessions**

Consistent with the NYSE's corporate governance listing standards, our Board has adopted Principles of Corporate Governance that, among other things, call for the non-officer trustees to meet in regularly scheduled executive sessions without management. Mr. Natelli, our non-executive Chairman of the Board, presides at these executive sessions.

## **Board Communications and Corporate Governance**

The Board values the input and insights of the Trust's shareholders and believes that effective shareholder engagement strengthens the Board's role as an informed and engaged fiduciary. The Trust is committed to serving our shareholders' interests, and recognizes that communicating with shareholders on a regular basis is a critical component of the Trust's corporate governance program. As part of this commitment, management

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actively engages with our shareholders in order to fully understand their viewpoints concerning the Trust, to gather feedback on what we can do better and to help our shareholders understand our performance and strategy. In addition to answering questions from shareholders on our quarterly earnings calls, the Trust's management regularly engages with investors by participating in industry media conferences, through frequent in-person meetings with our shareholders and prospective investors, and by telephone with many shareholders at other times throughout the year to solicit input and answer questions on a variety of topics. Interested parties, including shareholders, may communicate their concerns directly to the full Board, the non-executive Chairman of the Board or the non-officer trustees as a group by writing to the Board, the non-executive Chairman of the Board or the non-officer trustees, at our corporate headquarters.

The Board's engagement efforts center on the Trust's corporate governance practices, which it regularly reviews to ensure that the Trust's practices are consistent with prevailing trends and best practices and the views of our shareholders. The Board's responsive approach to corporate governance and willingness to assess and act on constructive proposals from shareholders has been proven throughout the Trust's existence. For example:

In 2011, acting in accordance with best practices in compensation governance, the Trust amended the employment contracts between the Trust and its executive officers to remove from each executive's employment agreement a provision that would have required the Trust to make gross-up payments to the executive in amounts equal to any excise taxes incurred by the executive pursuant to Section 4999 of the Internal Revenue Code as a result of his receipt of payments upon termination following a change in control.

In 2014, the Board deliberately considered the substance of each of three proposals submitted to the Trust by a shareholder and concluded that the substantive proposals were reasonable and in the best interests of the Trust's shareholders. As a result, the Trust implemented three corporate governance initiatives that reinforced the Board's strong commitment to shareholders' interests, particularly in respect of the decision to opt out of, and require shareholder approval before the Trust may elect to become subject to, any of three Maryland statutes that could be viewed as providing publicly traded entities organized in Maryland, like the Trust, with certain defenses against unsolicited or hostile takeover attempts.

In 2015, in response to a shareholder's non-binding proposal that was approved at the 2015 Annual Meeting of Shareholders, the Board approved and adopted a wholly new article of the Trust's bylaws, fully implementing the requested action recommended by the Trust's shareholders. The new bylaw provides that the Board is generally restricted from adopting a poison pill without prior shareholder approval unless compelled by its fiduciary duties to adopt one.