

Chesapeake Lodging Trust
Form S-11/A
January 19, 2010
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As filed with the Securities and Exchange Commission on January 19, 2010

Registration No. 333-162184

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
AMENDMENT NO. 4 TO
FORM S-11
FOR REGISTRATION UNDER
THE SECURITIES ACT OF 1933 OF SECURITIES
OF CERTAIN REAL ESTATE COMPANIES
CHESAPEAKE LODGING TRUST
(Exact Name of Registrant as Specified in Governing Instruments)

710 Route 46 East
Suite 206
Fairfield, NJ 07004
(201) 970-2559

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

Douglas W. Vicari, Chief Financial Officer

710 Route 46 East
Suite 206
Fairfield, NJ 07004
(201) 970-2559

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

Copies to:

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James E. Showen, Esq.

Jay L. Bernstein, Esq.

Kevin L. Vold, Esq.

Andrew S. Epstein, Esq.

Hogan & Hartson LLP

Clifford Chance US LLP

555 Thirteenth Street, N.W.

31 West 52nd Street

Washington, DC 20004

New York, NY 10019-6131

Phone: (202) 637-5600

Phone: (212) 878-8000

Facsimile: (202) 637-5910

Facsimile: (212) 878-8375

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. "

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. "

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

Large accelerated filer "

Accelerated filer "

Non-accelerated filer
(do not check if a smaller reporting company)

Smaller reporting company "

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The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale of the securities is not permitted.

Subject to Completion, dated January 19, 2010

Prospectus

7,500,000 Common Shares of Beneficial Interest

CHESAPEAKE LODGING TRUST

Chesapeake Lodging Trust is a recently-formed, self-advised hotel investment company that was organized to take advantage of current and future lodging-related investment opportunities.

This is our initial public offering, or IPO, of our common shares of beneficial interest, or common shares. No public market currently exists for our common shares. All of the shares offered by this prospectus are being sold by us.

We have received authorization to list our common shares on the New York Stock Exchange under the symbol CHSP. We expect the IPO price of our common shares to be \$20.00 per share.

Concurrently with the offering, in separate private placements, we will sell (1) up to 4.9% of the common shares to be outstanding following the offering, but in no event more than \$20 million of our common shares, to Hyatt Hotels Corporation or its affiliates, or Hyatt, and (2) up to 9.8% of the common shares to be outstanding following the offering, but in no event more than \$25 million of our common shares, to an institutional fund advised by BAMCO, Inc. on behalf of its investment advisory client, the Baron Small Cap Fund, or Baron, in each case, excluding common shares that may be sold pursuant to the underwriters' over-allotment option, and at the IPO price per share, less the greater of the underwriting discount or 6%. We also will sell an aggregate of 150,000 common shares to our non-executive Chairman, our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer, Treasurer and Secretary at the public offering price shown below.

We intend to elect and qualify to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes. To assist us in qualifying as a REIT, shareholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding common or preferred shares of beneficial interest. See Description of shares of beneficial interest Restrictions on ownership and transfer.

See Risk factors beginning on page 12 of this prospectus for certain risk factors relevant to an investment in our common shares, including, among others:

We have no operating history and may not be able to successfully operate our business or generate sufficient operating cash flows to make or sustain distributions to our shareholders. Furthermore, there can be no assurance that we will be able to invest the proceeds of the offering on acceptable terms, or at all.

We currently own no properties and have not committed any portion of the net proceeds of the offering to any specific acquisition, making this a blind pool investment opportunity. Investors will not be able to evaluate the economic merits of any acquisitions we make with the net proceeds of the offering. In addition, we can change our investment policy at any time without seeking approval from our shareholders.

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Failure of the U.S. economy and the lodging industry to improve may adversely affect our ability to execute our business plan. There can be no assurance as to whether, or when, lodging industry fundamentals will in fact improve, or to what extent they will improve.

Our failure to qualify as a REIT would have significant adverse consequences to us, the value of our common shares and our ability to make distributions to our shareholders.

While we intend to target an overall debt level of up to 50% of the aggregate purchase prices of all our portfolio properties, our governing documents contain no limitations on the amount of debt we may incur, and our board of trustees may change our financing policy at any time without shareholder approval.

We depend on the efforts and expertise of our president and chief executive officer and our executive vice president, chief financial officer, treasurer and secretary to manage our day-to-day operations and strategic business direction. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount ⁽¹⁾	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) The underwriters will be entitled to receive \$ per share from us at closing. The underwriters will forego the receipt of payment of \$ per share, subject to the following. We will agree to pay the \$ per share to the underwriters when the capital deployment hurdle (as described herein) is satisfied. If this requirement is not satisfied, the aggregate underwriting discount paid by us, based on \$ per share (or % of the public offering price) would be \$. See Underwriting.

The underwriters may also purchase up to an additional 1,125,000 common shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus solely to cover overallocments, if any.

The underwriters are offering our common shares as described in Underwriting. We expect to deliver the common shares on or about , 2010.

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

J.P. Morgan

Deutsche Bank Securities

FBR Capital Markets

KeyBanc Capital Markets	Baird	RBC Capital Markets	JMP Securities
The date of this prospectus is	, 2010.		

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by us or information to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, our common shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common shares.

Through and including _____, 2010 (the 25th day after the date of this prospectus), all dealers that effect transactions in our common shares, whether or not participating in the offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Prospectus summary

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common shares. You should read the entire prospectus, including Risk factors, before making a decision to invest in our common shares. In this prospectus, references to our company, we, us, and our mean Chesapeake Lodging Trust and our subsidiaries, and references to our operating partnership mean Chesapeake Lodging, L.P. Unless otherwise indicated, the information contained in this prospectus assumes (1) the sale of 7,500,000 common shares in the offering at \$20.00 per share, (2) the sale in concurrent private placements to Hyatt and Baron of up to 4.9% and 9.8%, respectively, of the common shares to be outstanding following the offering, in each case, at the IPO price per share, less the greater of the underwriting discount or 6%, (3) the sale of an aggregate of 150,000 common shares to our non-executive chairman and certain of our executive officers at the IPO price per share and (4) no exercise by the underwriters of their overallotment option to purchase up to an additional 1,125,000 common shares.

Overview

We are a self-advised hotel investment company organized in June 2009. We intend to focus our investments primarily in upper upscale hotels in major business, airport and convention markets and, on a selective basis, in premium select-service hotels in urban settings or unique locations in the United States. We believe current industry dynamics will create attractive opportunities to acquire high quality hotel properties, at prices well below replacement costs, with attractive yields on investment and significant upside potential.

Our senior executive officers have extensive experience in the lodging industry, including the acquisition, development, financing, repositioning, asset management and disposition of hotels. This experience includes founding Highland Hospitality Corporation, or Highland, and leading its IPO and related formation transactions in 2003. Following the IPO, our senior executive officers served as chief executive officer and chief financial officer of Highland until its sale in July 2007. In addition to their service with Highland, our senior executive officers have held senior management and executive positions at several other publicly traded lodging companies such as Crestline Capital Corporation, Marriott International, Inc., Host Hotels & Resorts, Inc. and Prime Hospitality Corporation.

We do not own any properties and have no agreement to acquire any property at this time. However, our senior executive officers have established and maintained a broad network of hotel industry contacts, including long-standing relationships with hotel owners, independent hotel managers, global hotel brands, hotel brokers, financiers and institutional investors that we believe will provide us with attractive acquisition opportunities. In addition, we have entered into a sourcing relationship with Hyatt that we believe will enhance our ability to execute our business strategy by potentially providing us with additional attractive acquisition opportunities.

Upon completion of the offering, the concurrent private placements to Hyatt, Baron, our non-executive chairman and certain of our executive officers, and the related formation transactions described in this prospectus, we expect to have approximately \$166.8 million in cash available to

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execute our strategy. We also expect to incur indebtedness to supplement our investment capital. We intend to target an overall debt level of up to 50% of the aggregate purchase prices of all our portfolio properties.

We intend to elect and qualify to be treated as a REIT for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2010.

Our team

The founding members of our management team are James L. Francis, our president and chief executive officer, and Douglas W. Vicari, our executive vice president, chief financial officer, treasurer and secretary. These senior executive officers have extensive experience in the lodging industry, including the acquisition, development, financing, repositioning, asset management and disposition of hotels. In these roles, our senior executive officers have participated in numerous lodging-related transactions and assumed significant management responsibilities. This experience includes:

hotel investments, including single property and portfolio acquisitions;

hotel and company level financings, such as single property and portfolio debt financings, including loans included in securitized transactions, public debt offerings, public and private equity offerings and corporate credit facilities;

hotel dispositions, including single property, portfolio and company dispositions; and

asset management, including extensive renovation and repositioning programs, as well as re-branding or changing hotel management of select properties.

Competitive strengths

We believe the following competitive strengths distinguish us from other owners, acquirors and investors in hotel properties:

Experienced management team: A veteran management team with substantial lodging industry experience will enable us to effectively implement our business strategy by evaluating investment opportunities and deploying capital in hotels that provide attractive long-term returns. Our senior executive officers have previously worked together for a number of years and have extensive experience, having served as executives in several publicly traded lodging companies, including Highland, Marriott International, Inc., Host Hotels & Resorts, Inc., Crestline Capital Corporation and Prime Hospitality Corporation.

Extensive industry relationships: Our senior management team has established and maintained a broad network of hotel industry contacts, including long-standing relationships with hotel owners, independent hotel managers, global hotel brands, hotel brokers, financiers, institutional investors and other key industry participants. We believe these broad industry relationships will potentially provide us with a valuable source of hotel property investment opportunities.

Growth oriented capital structure with no legacy issues: We believe that many institutional buyers of hotel assets will be constrained in their ability to make acquisitions over the next several years as they address the adverse effects of both a highly leveraged capital structure and

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declining operating performance on their existing portfolio. Unlike many of these potential buyers, we will be well capitalized, with no near-term debt maturities, liquidity constraints or distressed assets limiting our management's focus or ability to acquire assets. Following the offering, the concurrent private placements and the related formation transactions, we expect to have approximately \$166.8 million of equity capital to execute our strategy.

Proven acquisition and disposition capabilities: Throughout their careers, our senior executive officers have pursued investment strategies that include acquiring, developing, financing, repositioning and selling hotel properties. While our chief executive officer and chief financial officer worked together at Highland from its IPO in 2003 until its sale in 2007, Highland invested in 30 hotel properties with over 9,000 rooms.

Strategic relationship with Hyatt: We have entered into a sourcing relationship with Hyatt, a global hospitality company with widely recognized, industry leading brands. We believe this relationship, as well as Hyatt's strong brands and excellent hotel management services, will enhance our ability to execute our business strategy and potentially provide us with additional attractive acquisition opportunities. In addition, concurrently with the offering, we will sell to Hyatt up to 4.9% of the common shares to be outstanding after the offering, but in no event more than \$20 million of our common shares. We believe that this equity stake will serve to align Hyatt's interests with ours and may provide added incentive to help us to execute our business strategy. For a full description of our agreement with Hyatt, see Our business Relationship with Hyatt.

U.S. lodging industry

Historically, the lodging industry in the United States has been cyclical in nature. Generally, lodging industry performance correlates with macroeconomic conditions in the United States. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which affect levels of business and leisure travel. Recovery in lodging demand has generally lagged improvement in the overall economy. In addition to general economic and local market conditions, new hotel room supply has the potential to further exacerbate the negative impact of an economic recession. Lodging supply growth is typically driven by overall lodging demand, as extended periods of strong demand growth tend to encourage new hotel development. However, the rate of supply growth is also influenced by a number of additional factors, including availability and cost of capital, construction costs and local market considerations.

Beginning in 2008, the U.S. lodging industry began experiencing a significant downturn due to a decline in consumer and business spending as a result of the overall weakness in the economy, particularly the turmoil in the credit markets, erosion of consumer confidence and increasing unemployment. As a result, lodging demand from both leisure and business travelers decreased significantly in 2008 and through the third quarter of 2009. This decreased demand for hotel rooms, together with recent modest increases in hotel supply, resulted in declines in occupancy and reductions in room rates as hotels competed more aggressively for guests. These events have had a substantial negative impact on revenue per available room, or RevPAR, which is the product of average daily rate, or ADR, and occupancy, and is one of the key performance indicators used in the lodging industry. According to HVS, the industry outlook indicates these trends are expected to continue for 2009, with RevPAR forecasted to decline 16.1% for the full

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year, a significantly larger decline than the two most recent lodging industry downturns in 1991 and 2001/2002. In addition, HVS forecasts a continued modest decline for 2010 annual RevPAR, however we expect lodging industry performance and, in particular, RevPAR to begin improving in the second half of 2010 due to increased demand given the forecasted resumption in growth of the U.S. economy. As a result, 2011 is expected to be the first full year of RevPAR growth and this improvement in industry performance is expected to accelerate for several years following 2011.

Market opportunity

We believe the next several years will present opportunities to acquire hotels during the most attractive investment environment in our senior executive officers' 20-plus year professional careers. During the last several years, pricing of hotel properties in the United States appreciated well in excess of the properties' underlying performance, primarily driven by record levels of debt financing. Over the past 18 months, a significant correction in the price of hotel properties has been underway, primarily as a result of the impact of the economic downturn on the lodging industry. In addition, due to the widely publicized credit crisis, the market for commercial mortgage backed securities, or CMBS, is virtually closed, and many traditional real estate lenders such as national and regional banks and insurance companies have seen their balance sheets impaired, resulting in a severe contraction in available debt financing for hotel properties. We believe the combined effects of the severe decline in hotel operating performance, the lack of available debt financing from traditional real estate lenders and the decline in hotel property valuations (in some cases below current debt balances), will yield a high level of foreclosures, restructurings and distressed hotel asset sales from a range of sellers, including national and regional banks, insurance companies, private equity funds, real estate mezzanine debt investors, hotel owners and CMBS special servicers. We expect to be well positioned to capitalize on these opportunities to acquire hotel properties at deep discounts to replacement cost as a result of our liquidity and our senior executive officers' acquisition experience.

Our strategy

We believe the following investment criteria and strategy will promote the growth of our company and our ability to deliver strong total returns to our shareholders:

External growth. We intend to focus our investments primarily in upper upscale hotels in major business, airport and convention markets and, on a selective basis, in premium select-service hotels in urban settings or unique locations in the United States. Within this target sector, we will pursue investment opportunities primarily in hotel properties operating under national franchise brands with which our executive officers have existing relationships such as Hyatt®, Hyatt Regency®, Hilton®, Marriott®, Renaissance®, Sheraton® and Westin®. In some instances, we will invest in premium select-service brands such as Hyatt Place®, Courtyard by Marriott® and Hilton Garden Inn® or boutique hotels (unbranded) located in urban settings or unique locations. We will seek to acquire hotel properties primarily located in markets with high barriers to entry due to high land costs and limited land availability in the top 25 U.S. Metropolitan Statistical Areas, or MSAs. For a description of the top 25 MSAs, see Our business Top 25 metropolitan statistical areas. We do not plan to acquire hotel properties outside the United States. We also will consider investments in hotel properties that would benefit from re-branding, renovation or a

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change in hotel property management. We believe our target investments will offer the opportunity for stronger returns than hotels in other sectors of the industry.

Internal growth. We intend to aggressively asset manage the hotel properties we acquire by employing value-added strategies (such as re-branding, renovating or changing hotel management) designed to improve the operating performance and value of our hotels. We will not operate our hotel properties, but intend to engage reputable independent or brand management companies to operate our hotels. We intend to structure our hotel management agreements to allow us to closely monitor the performance of our hotels and to ensure, among other things, that our managers: (1) implement an approved business and marketing plan, (2) implement a disciplined capital expenditure program and (3) establish and prudently spend appropriate furniture, fixtures and equipment reserves.

Hotel industry segments

Smith Travel Research, Inc., a leading source of lodging industry information, classifies the hotel industry into the following chain scales, as determined by each brand's average system-wide daily rates: luxury, upper upscale, upscale, midscale with food and beverage, midscale without food and beverage and economy. The category of luxury includes hotel brands such as Park Hyatt®, Four Seasons®, Mandarin Oriental®, Ritz-Carlton®, St. Regis® and W Hotels®; the category of upper upscale includes hotel brands such as Hyatt®, Hyatt Regency®, Grand Hyatt®, Hilton®, Marriott®, Renaissance®, Sheraton® and Westin®; and the category of upscale includes hotels such as Hyatt Place®, Courtyard by Marriott®, Hilton Garden Inn®, Residence Inn by Marriott® and Wyndham®.

Full-service hotels generally have a restaurant, lounge facilities and a meeting space as well as minimum service levels often including bell service and room service. Select-service hotels have limited food and beverage outlets and do not offer comprehensive business or banquet facilities, but rather are suited to serve smaller business meetings. Extended-stay hotels are hotels generally designed to accommodate guests staying for extended periods of time and typically provide rooms with fully equipped kitchens, entertainment systems, office spaces with computer and telephone lines, access to fitness centers and other amenities.

Summary risk factors

You should carefully consider the matters discussed in the Risk factors section beginning on page 12 of this prospectus prior to deciding whether to invest in our common shares. Some of these risks include:

We have no operating history and may not be able to successfully operate our business or generate sufficient operating cash flows to make or sustain distributions to our shareholders. Furthermore, there can be no assurance that we will be able to invest the proceeds of the offering on acceptable terms, or at all.

We currently own no properties and have not committed any portion of the net proceeds of the offering to any specific acquisition, making this a blind pool investment opportunity. Investors will not be able to evaluate the economic merits of any acquisitions we make with the net proceeds of the offering. In addition, we can change our investment policy at any time without seeking approval from our shareholders.

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Failure of the US economy and the lodging industry to improve may adversely affect our ability to execute our business plan, generate revenues, attain profitability and make distributions to our shareholders, as well as adversely affect the market price of our common shares. There can be no assurance as to whether, or when, lodging industry fundamentals will in fact improve, or to what extent they will improve.

Our failure to qualify as a REIT would have significant adverse consequences to us, the value of our common shares and our ability to make distributions to our shareholders.

While we intend to target an overall debt level of up to 50% of the aggregate purchase prices of all our portfolio properties, our governing documents contain no limitations on the amount of debt we may incur, and our board of trustees may change our financing policy at any time without shareholder approval. Debt service obligations may reduce cash available for distribution to shareholders, operations, capital expenditures and future business purposes.

We depend on the efforts and expertise of our president and chief executive officer and our executive vice president, chief financial officer, treasurer and secretary to manage our day-to-day operations and strategic business direction. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

Because our senior executive officers will have broad discretion to invest the proceeds of the offering, they may make investments where the returns are substantially below expectations or which result in net operating losses.

Our ability to maintain distributions to our shareholders is subject to fluctuations in our financial performance, operating results and capital improvements requirements.

Until our portfolio of assets generates sufficient income and cash flow, we may be required to use proceeds from future equity or debt offerings, sell assets or borrow funds to make quarterly distributions to our shareholders.

Our returns depend on effective management of our hotels by third parties.

Formation transactions

We refer to the following series of transactions as our formation transactions:

We will sell 7,500,000 common shares in the offering (plus up to an additional 1,125,000 common shares upon the exercise of the underwriters' over-allotment option).

Concurrently with the offering, in separate private placements, we will sell (1) up to 4.9% of the common shares to be outstanding following the offering, but in no event more than \$20 million of our common shares, to Hyatt, and (2) up to 9.8% of the common shares to be outstanding following the offering, but in no event more than \$25 million of our common shares, to Baron, in each case, excluding common shares that may be sold pursuant to the underwriters' over-allotment option, and at the IPO price per share, less the greater of the underwriting discount or 6%. We also will sell an aggregate of 150,000 common shares to our non-executive chairman, our president and chief executive officer and our executive vice president, chief financial officer, treasurer and secretary at the IPO price per share. We will enter into registration rights agreements with each of Hyatt and Baron pursuant to which we

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will agree to register the resale of their respective common shares upon their request made no earlier than six months from the closing of the offering. Hyatt and Baron and their respective permitted transferees also will possess customary piggyback registration rights under these agreements. See Shares eligible for future sale Registration rights. The closing of the concurrent private placements is expected to occur on the same day as the offering and is contingent upon the completion of the offering. The offering is not contingent upon the closing of the concurrent private placements.

We will contribute the net proceeds of the offering and the concurrent private placements referred to above to our operating partnership. We will act as sole general partner of our operating partnership.

We will repay a \$249,000 loan from Messrs. Francis and Vicari, plus accrued interest, the proceeds of which we used to fund our operating costs and certain costs of the offering, and we will repurchase the shares purchased by each of them in connection with our initial capitalization for aggregate consideration of \$1,000, at the same price they paid for these shares.

Benefits to affiliates

Approximately \$250,000 of the net proceeds from the offering will be used to repay loans and accrued interest from Messrs. Francis and Vicari, the proceeds of which we used to fund our operating costs and the costs of the offering.

Upon completion of the offering, we will repurchase the shares currently held by Messrs. Francis and Vicari at the same price they paid to acquire those shares in connection with our initial capitalization, representing an aggregate of \$1,000.

The total shares granted to our executive officers and non-executive trustees upon completion of the offering will be adjusted so that the total number of shares granted (both time-based and performance-based) will be equal to approximately 2.5% of the total number of shares sold in the IPO, including for this calculation shares sold upon exercise of the underwriters' over-allotment option, plus the total number of shares sold in the concurrent private placements. Assuming the sale of 7,500,000 shares at a price of \$20.00 per share in this offering, the sale of an aggregate of 1,507,294 additional shares in the concurrent private placements and no exercise of the underwriters' over-allotment option, we expect to grant 96,000 time-based restricted shares to Mr. Francis, 64,000 time-based restricted shares to Mr. Vicari and 22,500 time-based restricted shares to D. Rick Adams, our senior vice president and chief investment officer, with such shares having an approximate value of \$1,920,000, \$1,280,000 and \$450,000 respectively. The restrictions on the shares will lapse at the rate of one-third of the number of shares per year commencing on the first anniversary of the closing of the offering. Dividends will be paid on the time-based restricted shares when declared and paid on our common shares generally. In addition, under these same assumptions, we expect to grant 23,000 performance-based restricted shares to Mr. Francis and 15,000 performance-based restricted shares to Mr. Vicari. The restrictions on these shares will lapse upon our achievement of specified performance metrics. Dividends will accrue on performance-based restricted shares that remain subject to vesting, but will only be paid if the shares vest.

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Our structure

In order for the income from our hotel operations to constitute rents from real property for purposes of the gross income test required for REIT qualification, we cannot directly operate any of our hotels. Instead, we must lease our hotels. Accordingly, we will lease each of our hotels to a taxable REIT subsidiary, or TRS, which will be wholly owned by our operating partnership, which initially will be wholly-owned by us. Our TRS will pay rent to us that can qualify as rents from real property, provided that the TRS engages an eligible independent contractor to manage our hotels. Our TRS will be subject to corporate level income taxes. In connection with each acquisition, we expect our TRS will engage a qualified hotel management company to manage the hotel or hotels we acquire.

The following chart shows the structure of our company following completion of the offering, the concurrent private placements and the grants to be made upon completion of the offering under our Equity Plan:

* Investment includes an aggregate of 150,000 shares purchased by our non-executive chairman and certain executive officers in concurrent private placements. Grant includes 226,000 shares granted under our Equity Plan to our executive officers and trustees.

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The offering

Common shares offered	7,500,000 shares (plus up to an additional 1,125,000 common shares upon the exercise of the underwriters' overallotment option)
Common shares to be outstanding upon completion of the offering	9,233,294 shares ⁽¹⁾⁽²⁾
Use of proceeds	We intend to use approximately \$250,000 of the net proceeds from the offering and the concurrent private placements to repay Messrs. Francis and Vicari for loans and accrued interest, which funded our operating costs and costs related to the offering, and to repurchase the shares acquired by them in connection with our initial capitalization. We intend to use the remaining net proceeds to fund acquisitions of hotel properties and to cover our working capital needs in a manner consistent with our investment strategy. See Use of proceeds.
Distribution policy	We intend over time to make quarterly distributions to holders of our common shares out of our earnings. To maintain our qualification as a REIT, we intend to make annual distributions to our shareholders of at least 90% of our REIT taxable income, subject to certain adjustments and excluding net capital gains (which does not necessarily equal net income as calculated in accordance with U.S. generally accepted accounting principles, or U.S. GAAP). The timing and frequency of distributions will be authorized by our board of trustees and declared by us based upon a variety of factors deemed relevant by our trustees. Our ability to pay distributions to our shareholders will depend, in part, upon our receipt of rent payments with respect to our properties from our TRS and the management of our hotel properties and the hotel management companies that our TRS will engage to operate our hotels. Distributions to our shareholders generally will be taxable to our shareholders as ordinary income; however, because our initial investment strategy is to acquire hotel properties for cash, which will result in depreciation and non-cash charges against our income, a portion of our distributions may constitute a tax-free return of capital. Subject to maintaining our qualification as a REIT, our TRS may retain any after-tax earnings. See Distribution policy.
Proposed New York Stock Exchange symbol	CHSP
Risk factors	Investing in our common shares involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk factors beginning on page 12 of this prospectus and other information included in this prospectus.

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- (1) Excludes (i) up to 1,125,000 shares issuable upon exercise of the underwriters' overallotment option and (ii) 224,365 shares issuable in the future under the Chesapeake Lodging Trust Equity Plan, or the Equity Plan.
- (2) Includes (i) common shares issued to Hyatt and Baron of up to 4.9% and 9.8%, respectively, of the common shares to be outstanding following the offering, (ii) 150,000 common shares issued to our non-executive chairman and certain of our executive officers and (iii) 226,000 restricted common shares granted under our Equity Plan to our executive officers and trustees concurrently with the completion of the offering.

Corporate information

We were organized June 12, 2009 as a Maryland real estate investment trust under the name Crown Hospitality Trust, and we changed our name to Chesapeake Lodging Trust, effective September 23, 2009. We elected to be treated as a corporation for U.S. federal income tax purposes effective as of December 7, 2009. Effective as of the same date we elected to be treated as an S corporation. Prior to the completion of the offering we intend to revoke our S corporation election and to be treated as a corporation for U.S. federal income tax purposes. We have no operating history, and we have not committed any portion of the net proceeds of the offering or the concurrent private placements to any specific investment. Chesapeake Lodging, L.P. is our operating partnership that will own all of our assets and conduct our operations, and which initially will be wholly owned by us.

We intend to elect to and qualify to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with our taxable year ending December 31, 2010. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their taxable income (excluding net capital gains). If we qualify for taxation as a REIT, we generally will not be subject to U.S. federal income tax on that portion of our ordinary income or net capital gain that is currently distributed to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to certain U.S., foreign, state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income and certain other categories of income, and our TRS will be a fully taxable corporation, subject to U.S. federal, state, local and foreign tax, if applicable, on their income.

Our corporate offices are located at 710 Route 46 East, Suite 206, Fairfield, NJ 07004. Our telephone number is (201) 970-2559. We maintain a website at www.chesapeakelodgingtrust.com. Our reference to our website is intended to be an inactive textual reference only. Information contained on our website is not, and should not be interpreted to be, part of this prospectus.

Historical performance

Our senior executive officers served in similar capacities for Highland from its initial public offering in December 2003 through its sale in July 2007. The total return information presented under "Our business," "Our team," and the tables under "Prior performance of Highland Hospitality Corporation" in this prospectus set forth information regarding the historical performance of Highland. The information about Highland's historical performance is a reflection of the past performance of Highland and is not a guarantee or prediction of the returns that we may achieve in the future. This is especially true for us given the current

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conditions in the lodging industry. If those conditions do not improve, we likely will not be able to generate returns comparable to those produced by Highland. Accordingly, Highland's historical returns should not be viewed as indicative of the performance of our strategy, and we can offer no assurance that we will replicate the historical performance of Highland. Our returns could be substantially lower than the returns achieved by Highland.

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Risk factors

An investment in our common shares involves significant risks. In addition to other information in this prospectus, you should carefully consider the following factors before investing in our common shares offered hereby. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our shareholders, which could cause you to lose all or a significant part of your investment in our common shares. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. See Cautionary note regarding forward-looking statements.

Risks related to our business

We have no operating history and may not be able to successfully operate our business or generate sufficient operating cash flows to make or sustain distributions to our shareholders.

We were organized in June 2009 and have no operating history. We have no assets and will only commence operations upon completion of the offering. Our ability to make or sustain distributions to our shareholders will depend on many factors, including the availability of attractive acquisition opportunities that satisfy our investment strategies and our success in identifying and consummating them on favorable terms, the level and volatility of interest rates, readily accessible short-term and long-term financing on favorable terms and conditions in the financial markets, the real estate market and the economy, as to which no assurance can be given. In addition, we may face competition in acquiring attractive properties. We cannot assure you that we will be able to acquire properties with attractive returns or will not seek properties with greater risk to obtain the same level of returns or that the value of our properties in the future will not decline substantially. We also may not be able to successfully operate our business or implement our operating policies and strategies successfully. Furthermore, there can be no assurance that we will be able to generate sufficient operating cash flows to pay our operating expenses and make distributions to our shareholders.

We have not yet identified any specific properties to acquire and, therefore, you will be unable to evaluate the allocation of net proceeds from the offering and the concurrent private placements or the economic merits of our acquisitions prior to making an investment decision.

We have not yet identified any specific properties to acquire for our portfolio and, thus, you will be unable to evaluate the allocation of the net proceeds of the offering and the concurrent private placements or the economic merits of our acquisitions before making an investment decision with respect to our common shares. As a result, we may use the net proceeds from these offerings to make investments with which you may not agree. In addition, our investment policies may be amended or revised from time to time at the discretion of our board of trustees, without a vote of our shareholders. These factors will increase the uncertainty, and thus the risk, of investing in our common shares. The failure of our senior executive officers to apply these proceeds effectively or find suitable properties to acquire in a timely manner or on acceptable terms could result in returns that are substantially below expectations or result in losses, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our shareholders.

Until appropriate investments can be identified, our senior executive officers may invest the net proceeds of the offering and the concurrent private placements in interest-bearing short-term

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investments, including money market accounts and/or U.S. treasury securities, that are consistent with our intention to qualify as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from acquisitions of our target assets. We may be unable to invest the remaining net proceeds on acceptable terms, or at all, which could delay shareholders receiving a return on their investment. Moreover, because we will not have identified these future investments at the time of the offering, we will have broad authority to invest the excess proceeds of the offering in any real estate investments that we may identify in the future.

We cannot assure you that we will be able to identify assets that meet our investment objectives, that we will be successful in consummating any investment opportunities we identify or that one or more investments we may make using the net proceeds of the offering and the concurrent private placements will generate revenue, income or cash flow. Although we intend to invest our proceeds in hotel properties in up to six months after the completion of the offering, we cannot assure you we will be able to do so. Our inability to do any of the foregoing likely would materially and adversely affect our results of operations and cash flows and our ability to make distributions to our shareholders.

Because our senior executive officers will have broad discretion to invest the proceeds of the offering, they may make investments where the returns are substantially below expectations or which result in net operating losses.

Our senior executive officers will have broad discretion, within the general investment criteria established by our board of trustees, to invest the net proceeds of the offering and to determine the timing of such investment. In addition, our investment policies may be amended or revised from time to time at the discretion of our board of trustees, without a vote of our shareholders. Such discretion could result in investments that may not yield returns consistent with investors' expectations.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our president and chief executive officer and our executive vice president, chief financial officer, treasurer and secretary to manage our day-to-day operations and strategic business direction. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

We may not succeed in managing our growth, in which case our financial results could be adversely affected.

Upon completion of the offering, Messrs. Francis, Vicari and Adams will be our only employees. Our ability to grow our business depends upon our senior executive officers' business contacts and their ability to successfully hire, train, supervise and manage additional personnel. We may not be able to hire and train sufficient personnel or develop management, information and operating systems suitable for our expected growth. If we are unable to manage any future growth effectively, our operations and financial results could be adversely affected.

If Paramount Hotel Group is unable or unwilling to continue providing our technology platform and information systems, our business may be disrupted which could adversely affect our results of operations and financial condition.

We currently rely on the technology platform and information systems provided by Paramount Hotel Group, with which Mr. Vicari formerly served as principal. Paramount Hotel Group is under no obligation to continue providing such technological support to us for any period of time. Although we intend to establish our own information technology platform promptly after the

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completion of the offering, we may be unable to do so on the timeframe we expect. Without adequate access to technology, our business may be disrupted, which could cause us to incur added costs and divert the attention of management and thereby adversely affect our results of operations and financial condition.

Failure of the lodging industry to exhibit improvement may adversely affect our ability to execute our business plan.

A substantial part of our business plan is based on our belief that the lodging markets in which we intend to invest will experience improving economic fundamentals in the future. In particular, our business strategy is dependent on our expectation, based on the HVS lodging industry outlook and forecast described in more detail under the caption "U.S. lodging industry" beginning on page 41 of this prospectus, that key industry performance indicators, especially RevPAR, will begin to improve in 2010 and industry performance will accelerate for several years following 2011. There can be no assurance as to whether, or when, lodging industry fundamentals will in fact improve or to what extent they improve. In the event conditions in the industry do not improve when and as we expect, or deteriorate, our ability to execute our business plan may be adversely affected.

If we fail to realize any benefits from our sourcing agreement with Hyatt, we may not be able to grow our business as rapidly as we prefer.

We consider Hyatt's potential willingness to refer potential acquisition opportunities to us, in Hyatt's sole discretion, to be an important component of our sourcing relationship with Hyatt. Under the terms of our agreement with it, however, Hyatt is not obligated to refer any of these opportunities to us. Moreover, although we are obligated to offer Hyatt the right to manage or franchise any unbranded properties we may acquire, nothing in our agreement requires Hyatt to accept any offer we make. As a result, we may not realize the benefits of this agreement in full or at all. Realizing fewer acquisition opportunities from Hyatt than we expect may slow the pace of our growth, which could adversely affect our financial performance.

Our returns could be negatively impacted if our third party hotel managers do not manage our properties in our best interests.

Since U.S. federal income tax laws restrict REITs and their subsidiaries from operating or managing a hotel, we will not operate or manage our hotels. Instead, we will lease substantially all of our hotels to subsidiaries of our taxable REIT subsidiary under applicable REIT laws, and our TRS, through its subsidiaries, will retain third-party managers to operate our hotels pursuant to management agreements. Our cash flow from the hotels may be adversely affected if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. In addition, our hotel managers or their affiliates may manage, and in some cases may own, have invested in or provided credit support or operating guarantees to hotels that compete with our hotels, which may result in conflicts of interest. As a result, our hotel managers may make decisions regarding competing lodging facilities that are not or would not be in our best interests.

We will not have the authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for instance, setting room rates). Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in satisfactory occupancy rates, RevPAR and ADR, we may not be able to force the management company to change its method of operation of our hotels. We generally will attempt

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to resolve issues with our managers through discussions and negotiations. However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. We can only seek redress if a management company violates the terms of the applicable management agreement with the TRS, and then only to the extent of the remedies provided for under the terms of the management agreement. In the event that we need to replace any of our management companies, we may be required by the terms of the management agreement to pay substantial termination fees and may experience significant disruptions at the affected hotels.

Funds spent to maintain franchisor operating standards or the loss of a franchise license may reduce cash available for shareholder distributions.

We expect that many of our hotels will operate under franchise agreements, and we may become subject to the risks that are found in concentrating our hotel properties in several franchise brands. These risks include reductions in business following negative publicity related to one of our brands.

The maintenance of the franchise licenses for our hotels is subject to our franchisors' operating standards and other terms and conditions. We expect that our franchisors will periodically inspect the hotels that we acquire to ensure that we and our lessees and management companies follow their standards. Failure by us, our TRS or one of our management companies to maintain these standards or other terms and conditions could result in a franchise license being canceled. If a franchise license terminates due to our failure to make required improvements or to otherwise comply with its terms, we may also be liable to the franchisor for a termination payment, which will vary by franchisor and by hotel. As a condition of our continued holding of a franchise license, a franchisor could also possibly require us to make capital expenditures, even if we do not believe the capital improvements are necessary or desirable or will result in an acceptable return on our investment. Nonetheless, we may risk losing a franchise license if we do not make franchisor-required capital expenditures.

If a franchisor terminates the franchise license, we may try either to obtain a suitable replacement franchise or to operate the hotel without a franchise license. The loss of a franchise license could materially and adversely affect the operations or the underlying value of the hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. A loss of a franchise license for one or more hotels could materially and adversely affect our revenues. This loss of revenues could, therefore, also adversely affect our financial condition, results of operations and cash available for distribution to shareholders.

Our ability to maintain distributions to our shareholders is subject to fluctuations in our financial performance, operating results and capital improvements requirements.

As a REIT, we are required to distribute at least 90% of our taxable income (excluding net capital gains) each year to our shareholders. In the event of future downturns in our operating results and financial performance or unanticipated capital improvements to our hotels, including capital improvements which may be required by our franchisors, we may be unable to declare or pay distributions to our shareholders. The timing and amount of distributions are in the sole discretion of our board of trustees which will consider, among other factors, our financial performance, debt service obligations and debt covenants, and capital expenditure requirements. We cannot assure you that we will continue to generate sufficient cash in order to fund distributions.

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Among the factors which could adversely affect our results of operations and our distributions to shareholders are the failure of our TRS to make required rent payments because of reduced net operating profits or operating losses, increased debt service requirements and capital expenditures at our hotels, including capital expenditures required by the franchisors of our hotels. Among the factors which could reduce the net operating profits of our TRS are decreases in hotel revenues and increases in hotel operating expenses. Hotel revenue can decrease for a number of reasons, including increased competition from a new supply of hotel rooms and decreased demand for hotel rooms. These factors can reduce both occupancy and room rates at our hotels.

We will lease all of our hotels to our TRS. This TRS will be subject to hotel operating risks, including risks of sustaining operating losses after payment of hotel operating expenses, including management fees. These risks can adversely affect the net operating profits of our TRS, our operating expenses and our ability to make distributions to our shareholders.

If we are unable to obtain debt on attractive terms or at all, we may be unable to execute our business strategy, which could adversely affect our growth prospects and future shareholder returns.

Part of our business strategy involves the use of debt financing to supplement our investment capital. We intend to target an overall debt level of up to 50% of the aggregate purchase prices of all our portfolio properties. We are currently negotiating with a number of financial institutions, including with affiliates of certain of our underwriters in this offering, to obtain a corporate credit facility, although there can be no assurance that we will be able to obtain such a credit facility on attractive terms or at all. Our failure to obtain such a facility on attractive terms could adversely impact our ability to execute our business strategy, which could adversely affect our growth prospects and future shareholder returns.

Compliance with covenants in our proposed debt instruments may limit our freedom to operate our business and impair our ability to make distributions to our shareholders.

We expect that the terms of our proposed corporate credit facility will require us to comply with customary financial and other covenants, including covenants that:

require us to maintain minimum levels of tangible net worth;

prevent us from employing leverage in excess of a percentage of our total asset value;

require us to maintain a minimum ratio of adjusted earnings before interest, taxes, depreciation and amortization, or EBITDA, to fixed charges;

prohibit us from making annual distributions to our shareholders in excess of 90% of our funds from operations, or FFO, over time, except for such distributions as may be required to enable us to maintain our qualification as a REIT for U.S. federal income tax purposes or may be required to eliminate all federal income tax and excess tax liability;

impose concentration limitations on the value and other characteristics of assets comprising the collateral pool securing the facility; and

limit our ability to engage in a change in control transaction without causing the amounts outstanding under the credit facility to become immediately due and payable.

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These restrictions may interfere with our ability to obtain financing or to engage in other business activities, which may inhibit our ability to grow our business and increase revenues. If we fail to comply with any of these requirements, then the related indebtedness, and any other debt containing cross-default or cross-acceleration rights for our lenders, could become immediately due and payable. We cannot assure you that we could pay all of our debt if it became due, or that we could continue in that instance to make distributions to our shareholders and maintain our REIT qualification.

If we incur substantial debt or are unable to repay or refinance our debt, we may be unable to make distributions to our shareholders and our share price may be adversely affected.

We and our subsidiaries may incur substantial additional debt, including secured debt, in the future. Incurring debt could subject us to many risks, including the risks that:

our cash flow from operations will be insufficient to make required payments of principal and interest;

our debt may increase our vulnerability to adverse economic and industry conditions;

we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing cash available for distribution to our shareholders, funds available for operations and capital expenditures, future business opportunities or other purposes;

the terms of any refinancing may not be as favorable as the terms of the debt being refinanced; and

the terms of our debt may limit our ability to make distributions to our shareholders and therefore adversely affect the market price of our common shares.

If we obtain debt in the future and do not have sufficient funds to repay our debt at maturity, it may be necessary to refinance this debt through additional debt financing, private or public offerings of debt securities, or additional equity financings. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of hotel properties on disadvantageous terms, potentially resulting in losses adversely affecting cash flow from operating activities. We may place mortgages on our hotel properties to secure our debt. To the extent we cannot meet our debt service obligations, we risk losing some or all of those properties to foreclosure.

Interest expense on our debt may limit our cash available to fund our growth strategies and shareholder distributions.

Higher interest rates could increase debt service requirements on floating rate debt, to the extent we have any, and could reduce funds available for operations, distributions to our shareholders, future business opportunities or other purposes.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations and our ability to make shareholder distributions.

We may obtain in the future one or more forms of interest rate protection in the form of swap agreements, interest rate cap contracts or similar agreements to hedge against the possible negative effects of interest rate fluctuations. However, we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder. In addition, we may be subject to risks

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of default by hedging counterparties. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable. We could be required to liquidate one or more of our hotel investments at times which may not permit us to receive an attractive return on our investments in order to meet our debt service obligations.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on a co-venturer's financial condition and disputes between us and our co-venturers.

We may co-invest in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or trustees from focusing their time and effort on our business. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third party partners or co-venturers.

The historical returns attributable to Highland should not be considered indicative of our future results or of any returns expected on an investment in our common shares.

We have presented in this prospectus under the sections entitled "Our business," "Our team," and "Prior performance of Highland Hospitality Corporation" information relating to the historical performance of Highland. Although we intend to invest in similarly positioned hotel properties as Highland, we expect our investments will have an even sharper focus on upper upscale properties located within the top 25 MSAs, and to pursue a financing strategy that is similar in many respects to the financing strategy employed by Highland, investors should not assume that they will experience returns, if any, comparable to those experienced by investors in Highland. Moreover, Highland operated under market conditions that may differ materially from market conditions that will exist at the time we make investments. Accordingly, the past performance of Highland is not a guarantee or prediction of the returns that we may achieve in the future, and should not be viewed as indicative of the performance of our investment strategy. We can offer no assurance that we will be able to replicate the historical performance of Highland.

Risks related to the hotel industry

Current economic conditions may adversely affect the lodging industry.

The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. GDP. It is also sensitive to business and personal discretionary spending levels. Declines in corporate budgets and consumer demand due

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to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence or adverse political conditions can lower the revenues and profitability of our future hotel properties and therefore the net operating profits of our TRS. The current global economic downturn has led to a significant decline in demand for products and services provided by the lodging industry, lower occupancy levels and significantly reduced room rates.

We anticipate that recovery of demand for products and services provided by the lodging industry will lag an improvement in economic conditions. We cannot predict how severe or prolonged the global economic downturn will be or how severe or prolonged the lodging industry downturn will be. A further extended period of economic weakness would likely have an adverse impact on our revenues and negatively affect our profitability.

Our ability to make distributions to our shareholders may be affected by various operating risks common to the lodging industry.

Our hotel properties will be subject to various operating risks common to the lodging industry, many of which are beyond our control, including the following:

competition from other hotel properties in our markets;

over-building of hotels in our markets, which will adversely affect occupancy and revenues at the hotels we acquire;

dependence on business and commercial travelers and tourism;

increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;

increases in operating costs due to inflation and other factors that may not be offset by increased room rates;

changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;

adverse effects of international, national, regional and local economic and market conditions;

unforeseen events beyond our control, such as terrorist attacks, travel related health concerns, including pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu and SARS, political instability, regional hostilities, imposition of taxes or surcharges by regulatory authorities, travel related accidents and unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes;

adverse effects of a downturn in the lodging industry; and

risks generally associated with the ownership of hotel properties and real estate, as we discuss in detail below. These factors could reduce the net operating profits of our TRS, which in turn could adversely affect our ability to make distributions to our shareholders.

Our investment opportunities and growth prospects may be affected by competition for acquisitions.

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We compete for investment opportunities with other entities, some of which have substantially greater financial resources than we do. This competition may generally limit the number of

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suitable investment opportunities offered to us, which may limit our ability to grow. This competition may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new properties on attractive terms or at all.

Our revenues and cash available for shareholder distributions may be affected by the seasonality of the hotel industry.

The hotel industry is seasonal in nature. This seasonality can be expected to cause quarterly fluctuations in our revenues. Our quarterly earnings may be adversely affected by factors outside our control, including weather conditions and poor economic factors. As a result, we may have to enter into short-term borrowings in certain quarters in order to offset these fluctuations in revenues and to make distributions to our shareholders.

The cyclical nature of the lodging industry may cause fluctuations in our operating performance.

The lodging industry is highly cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affects levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging industry's performance and overbuilding has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. Although we believe that supply growth peaked in late 2008 to early 2009, and that lodging demand will begin to rebound in late 2010 to early 2011, no assurances can be made. The continued decline in lodging demand beyond late 2010 to early 2011, or a continued growth in lodging supply, could result in returns that are substantially below expectations or result in losses, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our shareholders.

Our concentration in particular segments of a single industry limits our ability to offset the risks of an industry downturn, which could adversely affect our operating performance and cash available for shareholder distributions.

Our entire business is hotel-related. Therefore, a continued or future downturn in the lodging industry, in general, and the upper upscale segments in which we intend to focus our operations, in particular, will have a material adverse effect on our lease revenues and the net operating profits of our TRS and amounts available for distribution to our shareholders.

The ongoing need for capital expenditures at our hotel properties may limit our ability to make shareholder distributions.

Our hotel properties will have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. The franchisors of our hotels also will require periodic capital improvements as a condition of keeping the franchise licenses. In addition, our lenders will likely require that we set aside annual amounts for capital improvements to our hotel properties. These capital improvements may give rise to the following risks:

possible environmental problems;

construction cost overruns and delays;

a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on affordable terms; and

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uncertainties as to market demand or a loss of market demand after capital improvements have begun. The costs of all these capital improvements could adversely affect our financial condition and amounts available for distribution to our shareholders.

Hotel development is subject to timing, budgeting and other risks. To the extent we acquire hotel properties that are under development, these risks may adversely affect our operating results and our ability to make distributions to shareholders.

We may acquire hotel properties that are under development from time to time as suitable opportunities arise, taking into consideration general economic conditions. Hotel properties involve a number of development risks, including risks associated with:

construction delays or cost overruns that may increase project costs;

receipt of zoning, occupancy and other required governmental permits and authorizations;

development costs incurred for projects that are not pursued to completion;

acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;

ability to raise capital; and

governmental restrictions on the nature or size of a project.

To the extent we invest in hotel properties under development, we cannot assure you that any development project will be completed on time or within budget. The developer's inability to complete a project on time or within budget may adversely affect the hotel's projected operating results and impair our ability to make distributions to our shareholders.

The hotel business is capital-intensive and our inability to obtain financing could limit our growth.

Our hotel properties will require periodic capital expenditures and renovation to remain competitive. Acquisitions or development of additional hotel properties will require significant capital expenditures. We may not be able to fund capital improvements or acquisitions solely from cash provided from our operating activities because we must distribute at least 90% of our taxable income (net of capital gains) each year to maintain our qualification as a REIT for U.S. federal income tax purposes. As a result, our ability to fund capital expenditures, acquisitions or hotel development through retained earnings is very limited. Consequently, we rely upon the availability of debt or equity capital to fund hotel acquisitions and improvements. Our ability to grow through acquisitions or development of hotels will be limited if we cannot obtain satisfactory debt or equity financing which will depend on market conditions. Neither our declaration of trust nor our bylaws limits the amount of debt that we can incur. However, we cannot assure you that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms.

The increasing use of Internet travel intermediaries by consumers may adversely affect our profitability.

Some of our hotel rooms will be booked through Internet travel intermediaries, including, but not limited to, Travelocity.com, Expedia.com and Priceline.com. As these Internet bookings

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increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us and our management companies. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as three-star downtown hotel) at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our properties will be franchised. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of sales made through Internet intermediaries increases significantly, room revenues may flatten or decrease and our profitability may be adversely affected.

Future terrorist attacks or changes in terror alert levels could adversely affect our growth strategies, our ability to obtain financing, our ability to insure our properties and our overall financial condition.

Previous terrorist attacks in the United States and subsequent terrorist alerts have adversely affected the travel and hospitality industries over the past several years. The impact that terrorist attacks in the United States or elsewhere could have on domestic and international markets and our business in particular is indeterminable. It is possible that such attacks or the threat of such attacks could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties and/or our results of operations and financial condition as a whole.

Uninsured and underinsured losses could adversely affect our operating results and our ability to make distributions to our shareholders.

We intend to maintain comprehensive insurance on each of the hotel properties that we acquire, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by hotel owners. Various types of catastrophic losses, like earthquakes and floods, losses from foreign terrorist activities such as those on September 11, 2001, or losses from domestic terrorist activities such as the Oklahoma City bombing on April 19, 1995, may not be insurable or may not be economically insurable. Initially, we do not expect to obtain terrorism insurance on the hotel properties we acquire because it is costly. Lenders may require such insurance and our failure to obtain such insurance could constitute a default under loan agreements. Depending on our access to capital, liquidity and the value of the properties securing the affected loan in relation to the balance of the loan, a default could have a material adverse effect on our results of operations and ability to obtain future financing.

In the event of a substantial loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a hotel or resort, as well as the anticipated future revenue from the hotel or resort. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property.

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Noncompliance with governmental regulations could adversely affect our operating results.

Environmental matters

Our hotel properties will be subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as the owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral or to sell the property. Under the environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the cleanup of that facility if it becomes contaminated and threatens human health or the environment. A person that arranges for the disposal or transports for disposal or treatment of a hazardous substance at a property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos while staying in a hotel may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals (such as swimming pool chemicals at a hotel property) to manage them carefully and to notify local officials that the chemicals are being used.

The costs to clean up a contaminated property, to defend against a claim or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our shareholders. We can make no assurances that (1) future laws or regulations will not impose material environmental liabilities or (2) the current environmental condition of our future hotel properties will not be affected by the condition of the properties in the vicinity of our future hotel properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

Americans with Disabilities Act and other changes in governmental rules and regulations

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or in private litigants winning damages. If we are required to make substantial modifications to the hotels that we acquire, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations and ability to make distributions to our shareholders could be adversely affected.

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General risks related to the real estate industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties in our portfolio in response to changing economic, financial and investment conditions may be limited. The real estate market is affected by many factors that are beyond our control, including:

adverse changes in international, national, regional and local economic and market conditions;

changes in interest rates and in the availability, cost and terms of debt financing;

changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;

the ongoing need for capital improvements, particularly in older structures;

changes in operating expenses; and

civil unrest, acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses, and acts of war or terrorism, including the consequences of the terrorist acts such as those that occurred on September 11, 2001.

We may decide to sell any hotels we acquire in the future. We cannot predict whether we will be able to sell any hotel property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property.

We may be required to expend funds to correct defects or to make improvements before a hotel property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a hotel property, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could have a material adverse effect on our operating results and financial condition, as well as our ability to pay distributions to shareholders.

Increases in our property taxes would adversely affect our ability to make distributions to our shareholders.

Each of our hotels will be subject to real and personal property taxes. These taxes on our hotel properties may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. If property taxes increase, our ability to make distributions to our shareholders would be adversely affected.

Risks related to our organization and structure

Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit your recourse in the event of actions not in your best interests.

Under Maryland law generally, a trustee is required to perform his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an

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ordinarily prudent person in a like position would use under similar circumstances. Under Maryland law, trustees are presumed to have acted with this standard of care. In addition, our declaration of trust limits the liability of our trustees and officers to us and our shareholders for money damages, except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

active and deliberate dishonesty by the trustee or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our declaration of trust obligates us to indemnify our trustees and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each trustee or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we are obligated under our declaration of trust and bylaws to pay and advance the defense costs that may be incurred by our trustees and officers. As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist absent the current provisions in our declaration of trust and bylaws or that might exist with other companies.

Failure to make required distributions would subject us to tax.

In order for U.S. federal corporate income tax not to apply to earnings that we distribute, each year we must pay out to our shareholders in distributions at least 90% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. Our only source of funds to make these distributions comes from distributions that we receive from our operating partnership. Accordingly, we may be required to borrow money or sell assets to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the distribution requirement and to avoid U.S. federal corporate income tax and the 4% nondeductible excise tax in a particular year.

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would subject us to U.S. federal income tax and potentially to state and local taxes.

We have been organized and we intend to operate in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2010. Although we do not intend to request a ruling from the IRS as to our REIT qualification, we have received an opinion of our outside counsel, Hogan & Hartson LLP, with respect to our qualification as a REIT in connection with the offering. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Hogan & Hartson LLP represents only the view of our counsel based on our counsel's review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. The opinion is expressed as of the date issued. Hogan & Hartson LLP has no obligation to advise us or the holders of our common shares of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Hogan & Hartson LLP, and our qualification as a REIT, depend on our

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satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Hogan & Hartson LLP.

The REIT qualification requirements are extremely complex and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in operating so we can qualify, or remain qualified, as a REIT. At any time, new legislation, administrative guidance, or court decisions, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT.

Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, there can be no assurance that the IRS will not contend that our interests in subsidiaries or in securities of other issuers will not cause a violation of the REIT requirements.

If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our shareholders would not be deductible by us in computing our taxable income. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Internal Revenue Code to maintain our qualification as a REIT. We might need to borrow money or sell hotels in order to pay any such tax. Unless we are entitled to relief under certain Internal Revenue Code provisions, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends, which could adversely affect the value of our common shares if they are perceived as less attractive investments.

The maximum tax rate applicable to income from qualified dividends payable to U.S. shareholders that are individuals, trusts and estates has been reduced by legislation to 15% (through 2010). Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common shares.

If our leases are not respected as true leases for U.S. federal income tax purposes, we would fail to qualify as a REIT.

To qualify as a REIT, we will be required to satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to the hotel leases with our TRS, which we anticipate will constitute substantially all of our gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for U.S. federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We intend to structure our leases so that the

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leases will be respected as true leases for U.S. federal income tax purposes, but there can be no assurance that the IRS will agree with this characterization. If the leases were not respected as true leases for U.S. federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs and likely would lose our REIT status.

If our hotel managers do not qualify as eligible independent contractors, we would fail to qualify as a REIT.

Rent paid by a lessee that is a related party tenant of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We expect to lease substantially all of our hotels to our TRS. So long as any TRS lessee qualifies as a TRS, it will not be treated as a related party tenant with respect to our properties that are managed by a qualifying independent hotel management company. We believe that our TRS will qualify to be treated as a TRS for U.S. federal income tax purposes, but there can be no assurance that the IRS will not challenge the status of a TRS for U.S. federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying our TRS from treatment as a TRS, it is possible that we would fail to meet the asset tests applicable to REITs and substantially all of our income would fail to qualify for the gross income tests. If we failed to meet either the asset or gross income tests, we would likely lose our REIT qualification for U.S. federal income tax purposes.

If our hotel managers do not qualify as eligible independent contractors, we would fail to qualify as a REIT. Each of the hotel management companies that enters into a management contract with our TRS, including Hyatt, must qualify as an eligible independent contractor under the REIT rules in order for the rent paid to us by our TRS to be qualifying income for our REIT income test requirements. Among other requirements, in order to qualify as an eligible independent contractor a manager must not own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such managers that are publicly traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we intend to monitor ownership of our shares by our property managers and their owners, there can be no assurance that these ownership levels will not be exceeded.

Provisions of our declaration of trust may limit the ability of a third party to acquire control of our company, even if our shareholders believe the change of control is in their best interest.

Common share and preferred share ownership limits

Our declaration of trust provides that no person may directly or indirectly own more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate outstanding common shares or more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate preferred shares of each class or series outstanding from time to time. These ownership limitations may prevent an acquisition of control of our company by a third party without our board of trustees approval, even if our shareholders believe the change of control is in their interest.

Authority to issue shares of beneficial interest

Our declaration of trust authorizes our board of trustees to issue up to 400,000,000 common shares and up to 100,000,000 preferred shares without approval of our shareholders. Issuances of

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additional shares may have the effect of delaying or preventing a change in control of our company, including transactions at a premium over the market price of our shares, even if shareholders believe that a change of control is in their interest.

Certain provisions of Maryland law could inhibit changes in control

Certain provisions of Maryland Law may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then-prevailing market price of our common shares. We are subject to the business combination provisions of Maryland law that, subject to limitations, prohibit certain business combinations (including a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between us and an interested shareholder (defined generally as any person who beneficially owns 10% or more of our then outstanding voting shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the shareholder becomes an interested shareholder. After the five-year prohibition, any business combination between us and an interested shareholder generally must be recommended by our board of trustees and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of our outstanding voting shares; and (2) two-thirds of the votes entitled to be cast by holders of the outstanding voting shares of our company other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested shareholder. These super-majority vote requirements do not apply if our common shareholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by a board of trustees prior to the time that the interested shareholder becomes an interested shareholder. Pursuant to the statute, our board of trustees has by resolution exempted business combinations between us and any other person, provided that such business combination is first approved by our board of trustees (including a majority of our trustees who are not affiliates or associates of such person).

Further, under our declaration of trust, a trustee may be removed at any time, but only with cause, at a meeting of the shareholders by the affirmative vote of the holders of not less than two-thirds of the shares then outstanding and entitled to vote generally in the election of trustees.

The control share provisions of Maryland law provide that control shares of a Maryland corporation (defined as shares which, when aggregated with other shares controlled by the shareholder (except solely by virtue of a revocable proxy), entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquiror of control shares, our officers and our personnel who are also our trustees. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our common shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

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The unsolicited takeover provisions of Maryland law permit our board of trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not yet have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then current market price. See Certain provisions of Maryland law and of our declaration of trust and bylaws Business combinations and Certain provisions of Maryland law and of our declaration of trust and bylaws Control share acquisitions.

Our ownership limitations may restrict or prevent you from engaging in certain transfers of our common shares.

In order to maintain our REIT qualification, no more than 50% in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the U.S. federal income tax laws to include certain entities) at any time during the last half of each taxable year following our first year. To preserve our REIT qualification, our declaration of trust contains a common share ownership limit and a preferred share ownership limit. Generally, any common shares owned by affiliated owners will be added together for purposes of the common share ownership limit, and any shares of a given class or series of preferred shares owned by affiliated owners will be added together for purposes of the preferred share ownership limit.

If anyone transfers shares in a way that would violate the common share ownership limit or the preferred share ownership limit, or prevent us from continuing to qualify as a REIT under the U.S. federal income tax laws, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the common share ownership limit or the preferred share ownership limit. If this transfer to a trust fails to prevent such a violation or our continued qualification as a REIT, then the initial intended transfer shall be null and void from the outset. The intended transferee of those shares will be deemed never to have owned the shares. Anyone who acquires shares in violation of the common share ownership limit or the preferred share ownership limit or the other restrictions on transfer in our declaration of trust bears the risk of suffering a financial loss when the shares are redeemed or sold if the market price of our shares falls between the date of purchase and the date of redemption or sale.

Our ownership of our TRS will be limited and our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms.

A REIT may own up to 100% of the equity interest of an entity that is a corporation for U.S. federal income tax purposes if the entity is a TRS. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross operating income from hotel operations pursuant to hotel management agreements. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an

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appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Our TRS will pay U.S. federal, foreign, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but is not required to be distributed by such TRS to us. We anticipate that the aggregate value of the stock and securities of our TRS will be less than 25% of the value of our total assets (including our TRS stock and securities). Furthermore, we will monitor the value of our investments in our TRS for the purpose of ensuring compliance with TRS ownership limitations. In addition, we will scrutinize all of our transactions with our TRS to ensure that they are entered into on arm's-length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% limitation discussed above or to avoid application of the 100% excise tax discussed above.

We may in the future choose to pay dividends in our common shares instead of cash, in which case shareholders may be required to pay income taxes in excess of the cash dividends they receive.

Although we have no current intention to do so, we may, in the future, distribute taxable dividends that are payable in cash and common shares at the election of each shareholder. Under Revenue Procedure 2010-12, up to 90% of any such taxable dividend paid with respect to our taxable years 2010 and 2011 could be payable in our shares. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, or E&P, for U.S. federal income tax purposes. As a result, shareholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. shareholder sells the common shares that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our shares at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common shares. In addition, if a significant number of our shareholders determine to sell common shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common shares.

Further, while Revenue Procedure 2010-12 applies only to taxable dividends payable by us in cash or shares with respect to our taxable years 2010 and 2011, it is unclear whether and to what extent we will be able to pay taxable dividends in cash and common shares in later years. Moreover, various aspects of such a taxable cash/share dividend are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/share dividends, including on a retroactive basis, or assert that the requirements for such taxable cash/share dividends have not been met.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate

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changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute gross income for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. See Material U.S. federal income tax considerations U.S. federal income taxation of Chesapeake Lodging Trust. As a result of these rules, we intend to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRS.

The ability of our board of trustees to revoke our REIT qualification without shareholder approval may cause adverse consequences to our shareholders.

Our declaration of trust provides that our board of trustees may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our shareholders, which may have adverse consequences on our total return to our shareholders.

The ability of our board of trustees to change our major corporate policies may not be in your interest.

Our board of trustees determines our major corporate policies, including our acquisition, financing, growth, operations and distribution policies. Our board may amend or revise these and other policies from time to time without the vote or consent of our shareholders.

If we fail to implement and maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our shareholders could lose confidence in our financial results, which could harm our business and the market value of our common shares.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes-Oxley Act of 2002 will require us to evaluate and report on our internal controls over financial reporting and have our independent auditors annually attest to our evaluation, as well as issue their own opinion on our internal control over financial reporting. While we intend to undertake substantial work to prepare for compliance with Section 404, we cannot be certain that we will be successful in implementing or maintaining adequate control over our financial reporting and financial processes. Furthermore, as we rapidly grow our business, our internal controls will become more complex, and we will require significantly more resources to ensure our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of our common shares. Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner.

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Risks related to share ownership and the offering

We have not established a minimum distribution payment level, and we may be unable to generate sufficient cash flows from our operations to make distributions to our shareholders at any time in the future.

We are generally required to distribute to our shareholders at least 90% of our taxable income each year for us to qualify as a REIT under the Internal Revenue Code, which requirement we currently intend to satisfy. To the extent we satisfy the 90% distribution requirement but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. We have not established a minimum distribution payment level, and our ability to make distributions to our shareholders may be adversely affected by the risk factors described in this prospectus. Because we currently have no assets and will commence operations only upon completion of the offering, we may not have a portfolio of assets that generate sufficient income to be distributed to our shareholders. We will not use the proceeds from the offering to make distributions to our shareholders. Until our portfolio of assets generates sufficient income and cash flow, we may be required to use proceeds from future equity or debt offerings, sell assets or borrow funds to make quarterly distributions to our shareholders.

Subject to maintaining our REIT qualification, we intend over time to make regular quarterly distributions to our shareholders. Our board of trustees has the sole discretion to determine the timing, form and amount of any distributions to our shareholders. The amount of such distributions may be limited until we have a portfolio of income-generating assets. Our board of trustees will make determinations regarding distributions based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our board of trustees may deem relevant from time to time. Among the factors that could impair our ability to make distributions to our shareholders are:

our inability to invest the proceeds of the offering and the concurrent private placements;

our inability to realize attractive risk-adjusted returns on our investments;

unanticipated expenses that reduce our cash flow or non-cash earnings;

defaults in our investment portfolio or decreases in the value of the underlying assets; and

the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

As a result, no assurance can be given that we will be able to make distributions to our shareholders at any time in the future or that the level of any distributions we do make to our shareholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our common shares.

In addition, distributions that we make to our shareholders will generally be taxable to our shareholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our E&P as

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determined for tax purposes. A return of capital is not taxable, but has the effect of reducing the basis of a shareholder's investment in our common shares.

We cannot assure you that a public market for our common shares will develop, which may limit your ability to liquidate your investment.

Prior to the offering, there has not been a public market for our common shares, and we cannot assure you that a regular trading market for the common shares offered hereby will develop or, if developed, that any such market will be sustained. In the absence of a public trading market, an investor may be unable to liquidate an investment in our common shares. The IPO price has been determined by us and the underwriters. We cannot assure you that the price at which the common shares will sell in the public market after the closing of the offering will not be lower than the price at which they are sold by the underwriters.

The market price of our equity securities may vary substantially, which may cause the value of your investment to fluctuate.

The trading prices of equity securities issued by REITs have historically been affected by changes in market interest rates. One of the factors that may influence the price of our shares in public trading markets is the annual yield from distributions on our common or preferred shares as compared to yields on other financial instruments. An increase in market interest rates, or a decrease in our distributions to shareholders, may lead prospective purchasers of our shares to demand a higher annual yield, which could reduce the market price of our equity securities.

Other factors that could affect the market price of our equity securities include the following:

actual or anticipated variations in our quarterly results of operations;

changes in market valuations of companies in the hotel or real estate industries;

changes in expectations of future financial performance or changes in estimates of securities analysts;

fluctuations in stock market prices and volumes;

issuances of common shares or other securities in the future;

the addition or departure of key personnel;

announcements by us or our competitors of acquisitions, investments or strategic alliances; and

unforeseen events beyond our control, such as terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu and SARS, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities, travel related accidents and unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes.

The number of shares available for future sale could adversely affect the market price of our common shares.

We cannot predict whether future issuances of our common shares or the availability of shares for resale in the open market will decrease the market price of our common shares. Sales of substantial numbers of our common shares in the public market, or the perception that such sales might occur, could adversely affect the market price of our common shares.

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The exercise of the underwriters' overallotment option, the exercise of any options or the vesting of any restricted shares granted to trustees, executive officers and other employees under our Equity Plan, the issuance of common shares or units in connection with property, portfolio or business acquisitions and other issuances of our common shares could have an adverse effect on the market price of our common shares. In addition, future issuances of our common shares may be dilutive to existing shareholders.

The following table illustrates the number of common shares that will be outstanding and reserved for issuance upon the completion of the offering, assuming (1) no exercise of the underwriters' overallotment option, (2) full exercise, prior to closing of the offering, of the underwriters' overallotment option, and (3) full exercise, upon the completion of the offering, of the underwriters' overallotment option.

Composition of outstanding and reserved Shares	No exercise of overallotment option	Full exercise, prior to closing, of overallotment option	Full exercise, following closing, of overallotment option
Shares sold in the offering	7,500,000	8,625,000	8,625,000
Shares sold in the concurrent private placements	1,507,294	1,706,734	1,507,294
Shares granted to officers and trustees	226,000	258,293	253,307
Total outstanding shares	9,233,294	10,590,027	10,385,602
Shares reserved for future issuance under Equity Plan ⁽¹⁾	224,365	258,293	253,307

(1) Represents approximately 50% of the total number of common shares initially issuable under the Equity Plan.

We will enter into registration rights agreements with each of Hyatt and Baron pursuant to which we will agree to register the resale of their respective common shares owned by them and their respective permitted transferees, upon their request made no earlier than six months from the closing of the offering. In addition, subject to the exceptions and limitations set forth in the registration rights agreements, these holders will have unlimited piggyback registration rights pursuant to which they may request the inclusion of their shares in any registration statement we file for the purpose of registering sales of common shares for our account or the account of future shareholders.

Following the completion of the offering, we intend to file a registration statement on Form S-8 to register the common shares that may be issued under our Equity Plan.

Future offerings of debt or equity securities ranking senior to our common shares may adversely affect the market price of our common shares.

If we decide to issue debt or equity securities in the future ranking senior to our common shares, it is possible that these securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common shares and may result in dilution to owners of our common shares. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus holders of our common shares will bear the risk of our future offerings reducing the market price of our common shares and diluting the value of their share holdings in us.

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Cautionary note regarding forward-looking statements

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects are forward-looking by their nature:

our business and investment strategy;

our forecasted operating results;

completion of any pending transactions;

our ability to obtain and maintain future financing arrangements;

our understanding of our competition;

market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy;

projected capital expenditures and operating results;

use of the proceeds of the offering and the concurrent private placements; and

our expected leverage levels.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider this risk when you make an investment decision concerning our common shares. Additionally, the following factors could cause actual results to vary from our forward-looking statements:

the factors discussed in this prospectus, including those set forth under the sections titled Risk factors, Management's discussion and analysis of financial condition and results of operations and Our business ;

our ability to maintain our qualification as a REIT;

general volatility of the capital markets and the market price of our common shares;

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changes in our business or investment strategy;

availability, terms and deployment of capital;

availability of and our ability to retain qualified personnel;

actions and initiatives of the U.S. government, changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;

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

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economic trends and economic recoveries; and

the degree and nature of our competition.

When we use the words will likely result, may, anticipate, estimate, should, expect, believe, intend or similar expressions, we intend forward-looking statements. You should not place undue reliance on these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Use of proceeds

We estimate that the net proceeds from the offering of 7,500,000 common shares pursuant to this prospectus, after deducting the full underwriting discount (as described below), and estimated offering costs and expenses, will be approximately \$138.5 million. If the underwriters overallotment is exercised in full, our net proceeds from the offering will be approximately \$159.7 million.

All of the shares sold in this offering will be sold to the underwriters at \$ _____ per share, representing an initial discount to the underwriters of \$ _____ per share. We have agreed to pay the underwriters an additional \$ _____ per share, with respect to all shares sold in this offering when the capital deployment hurdle (as described herein) is satisfied. The capital deployment hurdle numerator is the cumulative acquisition of hotel properties, net of cash acquired (or substantially similar financial measures), that we will report in our statements of cash flows for all periods following the offering. The capital deployment hurdle denominator is net proceeds received from the offering and the concurrent private placements (including net proceeds received from any exercise of the underwriters' overallotment option, but excluding any deferred underwriting compensation). The capital deployment hurdle is satisfied when the capital deployment hurdle numerator divided by the capital deployment hurdle denominator is greater than 50%. See Underwriting.

If we meet the capital deployment hurdle described above, we will pay the underwriters an additional underwriting discount equal to \$ _____ million in the aggregate (or \$ _____ million if the underwriters exercise their overallotment option in full). In such case, our total net proceeds from this offering would be approximately \$ _____ million (or, if the underwriters exercise their overallotment option in full, approximately \$ _____ million), after deducting the initial underwriting discount, the additional underwriting discount and estimated offering expenses. The additional underwriting discount is payable within five business days following our filing of a quarterly or annual report after the capital deployment hurdle is satisfied.

Concurrently with the offering, in separate private placements, we will sell (1) up to 4.9% of the common shares to be outstanding following the offering, but in no event more than \$20 million of our common shares, to Hyatt, and (2) up to 9.8% of the common shares to be outstanding following the offering, but in no event more than \$25 million of our common shares, to Baron, in each case, excluding common shares that may be sold pursuant to the underwriters' overallotment option, and at the IPO price per share, less the greater of the underwriting discount or 6%. We also will sell an aggregate of 150,000 common shares to our non-executive chairman, our president and chief executive officer and our executive vice president, chief financial officer, treasurer and secretary at the IPO price per share. We will receive net proceeds of approximately \$28.5 million from the concurrent private placements, or approximately \$32.3 million if the underwriters exercise their overallotment option in full prior to the closing of this offering.

We will contribute the net proceeds of the offering and the concurrent private placements to our operating partnership. Our operating partnership intends to subsequently use the net proceeds received from us as follows:

approximately \$250,000 to repay Messrs. Francis and Vicari for loans and accrued interest which funded our operating costs and certain costs of the offering, and to repurchase the shares acquired by them in connection with our initial capitalization representing an aggregate of \$1,000; and

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the remaining proceeds to fund investments in hotel pro