LASALLE HOTEL PROPERTIES
Form DEFA14A
March 17, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the registrant x Filed by a party other than the registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

¨ Definitive Proxy Statement

x Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

LaSalle Hotel Properties

(Name of Registrant as Specified in its Charter)

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

Payment of filing fee (Check the appropriate box.):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated, and state how it was determined):

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2), and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule, or registration statement no.:

(3) Filing party:

(4) Date filed:

On March 17, 2009, LaSalle Hotel Properties posted an investor presentation with its other proxy materials in connection with the 2009 Annual Meeting of Shareholders. The presentation can be viewed online at www.viewmaterial.com/LHO. A copy of the presentation is attached hereto.

2009 Equity Incentive Plan and
the Compensation Committee s
Compensation Philosophy
*
*
*
*

1
The Equity Plan
The Equity Plan
The Board recommends approval of the 2009 Equity Incentive Plan as it is critical in hiring and
maintaining
high
quality
employees,
while
providing
alignment
of
management s
interest
with
those

of
shareholders
The 1998 Equity Incentive Plan expired in the second half of 2008, so no equity grants were made in 2008 for 2009 compensation
The
absence
of
an
equity
incentive
plan
will
require
an
increase
in
cash
payments
to
employees
to
maintain competitive pay structure, contrary to the Company s current financial plan to maximize financial liquidity
The 2009 Equity Incentive Plan would have 1.8 million shares or 6% Shareholder Value Transfer which
is
consistent
with
similar
proposals
from
the
Company s
peer
group
The Company s historical 3-year average burn rate is .71%, significantly lower than the RiskMetrics
Group s
recommended
limit
of
2.05%
for
its
peer
group
(GIC
4040)
The annual increase in CEO compensation in 2008 from 2007 was more than 50% tied to performance
based
compensation,
and

of the equity grants issued, more than 50% were performance based awards (this does not include change in compensation related to the succession plan put in place by the Board in June 2008)

The plan does not allow for any re-pricing of options

The plan does not include a liberal definition of change in control

The plan places an individual award limit of 500,000 shares that may be granted during any one fiscal year

2
Historical Equity Grants
Historical Equity Grants
The company has been judicious in the award of equity compensation as reflected in its reasonable overhang, which is 5.92% on a fully diluted shares outstanding basis and 6.30% on basic shares outstanding basis.
The
Company s
run
rate
for
grant
activity
(1)
(including
grants

related
to
succession
planning)
has
been
less than 1% in each of the past three fiscal years:

(1) Grant activity does not include performance shares as none have been earned. The Company awarded 31,490 shares, 45,37
shares in 2006, 2007 and 2008 respectively.

The time based awards vest over a 3-5 year period

The performance based awards were based on a 3-year measurement period with additional vesting of 0-2 years after the awards were earned

The performance measurements for the performance awards historically have been:

40% based on total return performance versus the NAREIT Equity Index with the Company s performance in at least the top 60% to earn any shares

40% based on total return performance versus the Company s peer set (consisting of 6 competitors) with the Company s performance to be in at least the top 60% to earn any shares

20% based on the Company s total return performance with a Company total return performance over the 3-year measurement period of at least 22.5% to earn any shares

	Full Value Awards granted	Shares Outstanding	Run Rate
Fiscal Year 2008	338,370	40,172,942	0.84%
Fiscal Year 2007	55,390	40,113,388	0.14%
Fiscal Year 2006	174,739	39,667,917	0.44%

3

Company s Long-term Performance

Company s Long-term Performance

The Company was the top performing REIT of all REITs (over 100 REITS existed at that time) in 2004 regardless of sector based on total return for 2004

The Company had the highest total shareholder return versus its peers from the Company s IPO in 1998 through December 31, 2008

The Company had the highest total shareholder return versus its peers over the 5 year period ending December 31, 2008

The Company outperformed both S&P 500 and NASDAQ in total return since its IPO through December 31, 2008 and approximately the same as the Russell 2000

The Company had a total return above the average for its peers over the 3 year period ending December 31, 2008

The Company had a total return above the average for its peers over the year ending December 31, 2008

4
Committee s Philosophy on Named Executive s Compensation
Committee s Philosophy on Named Executive s Compensation
Total compensation package should promote pay for performance and be competitive to attract and retain top-level executives
Equity compensation is critical in attracting and retaining superior executives and creating alignment of their interests with that of shareholders

Compensation package should be:
Payable over a longer period than one year
Depend on the Company s performance relative to other REITs
Depend on total compensation paid by REITs similar to the Company by size or by industry
Depend on total shareholder return
The majority of total compensation should be directly linked to relative performance basis and actual performance of the Company
Compensation and performance of executives should be evaluated on the basis of the Company s long-term performance in conjunction with current year performance
The Compensation Committee has the sole authority to hire or fire compensation consultants
Stock ownership guidelines
CEO -
5x salary
COO and CFO
3x salary

5

CEO Compensation

CEO Compensation

In 2006, the Committee had Towers Perrin prepare a report of CEO
compensation for
the
Company s
peers
and
other
REITS
of
similar
enterprise

value
and
make
package
structure recommendations
Target Compensation
Salary
24%
Target Bonus (can receive 0-200% of target)
24%
Performance based on FFO per share versus budget, FFO per share versus peers and
MBOs
Time-Based Stock Award
25%
Normal vesting over 3 years
Performance-Based Stock Award (can receive 0-200% of target)
27%
Performance based on total return versus REIT Equity Index, peers and absolute return
for the Company over a 3-year period

6
Current CEO
Current CEO
Jon Bortz
has served as CEO for the Company since it went public in 1998
The
Board
and
Compensation
Committee
believe
that
Jon
Bortz
has
done
a
superior
job in directing the Company since it went public
Named CEO of the Year based on pay-for-performance in 2007 by HVS
Ranked
as
4
th
best
REIT
CEO

in
2007
out
of
all
REIT
CEOs
regardless
of
sector
by
Institutional Investor Magazine based on survey of REIT analysts
and investors
Member of the Executive Committee and Chair of the Audit Committee for the NAREIT
Board of Governors
Total target compensation has historically been below the mean and median
compensation
for
CEOs
of
hotel
REITs
based
on
NAREIT s
Annual
Compensation
Survey

7
Succession Plan
Succession Plan
In the second quarter of 2008, the Board and Compensation Committee put in place a succession plan in light of Jon Bortz s desire to retire from his current role

of
CEO
The
Board
and
Compensation
Committee
believe
that
with
a
Company
of
less
than
30
employees
the CEO position is critical to the success of the Company and an orderly transition of the CEO role is an absolute necessity
The Board and the Compensation Committee had a strong desire to maintain continuity of the current
management
team
and
to
have
a
successful
transition
of
the
role
of
CEO
to
Michael
Barnello, the COO of the Company since it went public in 1998
The Board and the Compensation Committee preferred to have a 2-year time period for the transition,
to
increase
the
preparation
of
Michael
Barnello
for
his
new
role

To incent and pay Jon Bortz to remain with the Company through the transition period, the Compensation Committee (with Board approval) increased his cash compensation and provided him a one-time additional equity grant of 100,000 shares

Though the mix of shares (75,000 time based and 25,000 performance based, both have 3-year cliff vesting requirement) related to the transition plan was a deviation from the normal policy of having more shares come from performance based shares, the Board and Compensation Committee believed it was prudent to provide the shares in this mix to provide better assurance that Jon Bortz remained with the Company through the transition period

Details of the transition plan and related compensation changes are provided in the Company s 2009 Proxy Statement and Current Reports on Form 8-K filed at the time the succession plan was put in place