

LASALLE HOTEL PROPERTIES
Form DEF 14A
February 26, 2007

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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.):

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(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

LASALLE HOTEL PROPERTIES

3 Bethesda Metro Center, Suite 1200

Bethesda, Maryland 20814

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 19, 2007

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Shareholders (the Annual Meeting) of LaSalle Hotel Properties (the Company) will be held on Thursday, April 19, 2007 at 8:00 a.m., local time, at the Topaz Hotel, 1733 N Street, N.W., Washington, DC 20036, for the following purposes:

1. to elect two Class III trustees of the Company to serve until the 2010 Annual Meeting of Shareholders and until their successors are duly elected and qualified;
2. to ratify the appointment of the Company s independent registered public accountants for the year ending December 31, 2007;
3. to amend the Amended and Restated Declaration of Trust of the Company to increase the number of authorized shares of beneficial interest that the Company has the authority to issue to 200 million common shares and 40 million preferred shares; and
4. to consider and act upon any other matters that may properly be brought before the Annual Meeting and at any adjournments or postponements thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later adjournment, the Annual Meeting may be adjourned, or to which the Annual Meeting may be postponed.

The Board of Trustees has fixed the close of business on February 9, 2007 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof. Only shareholders of record of the Company s common shares of beneficial interest, \$0.01 par value per share, at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof.

You are requested to fill in and sign the enclosed proxy card, which is being solicited by the Board of Trustees, and to mail it promptly in the enclosed postage-prepaid envelope or to use telephone or Internet voting as described on the enclosed proxy card. The enclosed proxy card may be revoked by delivery to the Secretary of a later dated proxy, by giving written notice of the revocation of such proxy to the Secretary, by submitting another proxy by telephone or via the Internet that is later dated or by attending the meeting and voting in person. Shareholders of record who attend the Annual Meeting may vote in person, even if they have previously delivered a signed proxy.

By Order of the Board of Trustees

Hans S. Weger
Secretary

Bethesda, Maryland

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February 26, 2007

Whether or not you plan to attend the Annual Meeting, please provide your proxy by either calling the toll-free telephone number, using the Internet or completing, signing, dating and promptly returning the enclosed proxy card in the postage-prepaid envelope provided. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously returned your signed proxy card or voted via the Internet or telephone.

LASALLE HOTEL PROPERTIES

3 Bethesda Metro Center, Suite 1200

Bethesda, Maryland 20814

PROXY STATEMENT

FOR THE 2007 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 19, 2007

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Trustees of LaSalle Hotel Properties (the Company) for use at the 2007 Annual Meeting of Shareholders (the Annual Meeting) of the Company to be held on Thursday, April 19, 2007, and at any adjournments or postponements thereof. At the Annual Meeting, shareholders will be asked:

1. to elect two Class III trustees of the Company to serve until the 2010 Annual Meeting of Shareholders and until their successors are duly elected and qualified;
2. to ratify the appointment of the Company's independent registered public accountants for the year ending December 31, 2007;
3. to amend the Amended and Restated Declaration of Trust of the Company to increase the number of authorized shares of beneficial interest that the Company has the authority to issue to 200 million common shares and 40 million preferred shares; and
4. to consider and act upon any other matters that may properly be brought before the Annual Meeting and at any adjournments or postponements thereof.

This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Proxy Card are first being sent to shareholders on or about February 28, 2007. The Board of Trustees has fixed the close of business on February 9, 2007 as the record date (the Record Date) for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only shareholders of record of the Company's common shares of beneficial interest, \$0.01 par value per share (the Common Shares), at the close of business on the Record Date will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof. As of the Record Date, there were 40,089,127 Common Shares outstanding and entitled to vote at the Annual Meeting. Holders of Common Shares outstanding as of the close of business on the Record Date will be entitled to one vote for each Common Share held by them.

The presence, in person or by proxy, of holders of at least a majority of the total number of outstanding Common Shares entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Broker non-votes, or proxies from brokers or nominees indicating that such person has not received instructions from the beneficial owner or other person entitled to vote such shares on a particular matter with respect to which the broker or nominee does not have discretionary voting power, and abstentions are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business.

The vote of a plurality of all of the votes cast at a meeting at which a quorum is present is necessary for the election of the Class III trustees.

Our Amended and Restated Bylaws, however, provide that any nominee for trustee elected in an uncontested election at an Annual Meeting of Shareholders must submit a written resignation offer to our Board of Trustees within two weeks after our certification of the election results, if the nominee received a greater number of votes *withheld* from his or her election than votes *for* such election. Our Nominating and Corporate Governance Committee will then evaluate the best interest of the Company and its shareholders and recommend to the Board of Trustees the action to be taken with respect to any tendered resignation. Any trustee tendering a

resignation offer to our Board of Trustees will not participate in the Committee or Board consideration of whether to accept such resignation offer.

The vote of a majority of all of the votes cast at a meeting at which a quorum is present is necessary for the amendment of the Company's Amended and Restated Declaration of Trust, ratification of the appointment of the Company's independent registered public accountants and approval of any other routine matters properly presented at the Annual Meeting for approval by the shareholders.

Under Maryland law, abstentions do not constitute a vote for or against a routine matter and will be disregarded in determining votes cast. Broker non-votes will be treated in the same manner as abstentions on routine matters.

Shareholders of the Company are requested to complete, sign, date and promptly return the accompanying proxy card in the enclosed postage-prepaid envelope. Alternatively, shareholders may direct their vote by telephone or the Internet as indicated on the proxy card. Common Shares represented by a properly executed proxy received prior to the vote at the Annual Meeting and not revoked will be voted at the Annual Meeting as directed on the proxy. If a properly executed proxy is submitted and no instructions are given, the proxy will be voted FOR the election of the two nominees for Class III trustees of the Company named in this Proxy Statement, FOR the amendment to the Amended and Restated Declaration of Trust increasing the number of authorized shares of beneficial interest and FOR ratification of the Audit Committee's appointment of the Company's independent registered public accountants for the year ending December 31, 2007. It is not anticipated that any matters other than those set forth in the Proxy Statement will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders.

A shareholder of record may revoke a proxy at any time before such proxy has been exercised by filing a written revocation with the Secretary of the Company at the address of the Company set forth above, by filing a duly executed proxy bearing a later date, by submitting another proxy by telephone or via the Internet that is later dated or by appearing in person and voting by ballot at the Annual Meeting. Any shareholder of record as of the Record Date attending the Annual Meeting may vote in person whether or not a proxy has been previously given, but the presence (without further action) of a shareholder at the Annual Meeting will not constitute revocation of a previously given proxy.

The Company's Annual Report on Form 10-K for its year ended December 31, 2006, which includes financial statements for the year then ended, has been mailed to shareholders with this Proxy Statement. The Company's Annual Report on Form 10-K, however, is not part of the proxy solicitation material.

PROPOSAL 1: ELECTION OF TRUSTEES

The Board of Trustees of the Company consists of seven members and is divided into three classes, with the trustees in each class serving for a term of three years and until their successors are duly elected and qualified. The term of one class expires at each Annual Meeting of Shareholders.

At the Annual Meeting, two trustees will be elected to serve until the 2010 Annual Meeting of Shareholders and until their successors are duly elected and qualified. The Board of Trustees has nominated Messrs. Donald S. Perkins and Stuart L. Scott to serve as the Class III trustees (the Nominees). The Nominees are currently serving as the Class III trustees of the Company. The Board of Trustees anticipates that each Nominee will serve, if elected, as a trustee. However, if either person nominated by the Board of Trustees is unable to accept election, the proxies will be voted for the election of such other person or persons as the Board of Trustees may recommend.

The Board of Trustees recommends a vote FOR each Nominee.

Information Regarding the Nominees and the Continuing Trustees

The following table and biographical descriptions set forth certain information with respect to each Nominee for election as a Class III trustee at the Annual Meeting and the continuing trustees whose terms expire at the Annual Meetings of Shareholders in 2008 and 2009, respectively. None of the Nominees or trustees has pledged any of their shares of Common Stock as collateral.

Name	Age	Trustee Since	Amount and Nature	
			Common Shares ⁽¹⁾	Percent of Class ⁽²⁾⁽³⁾
Class III Nominees for Election at the Annual Meeting (Terms Expire in 2010)				
Donald S. Perkins	79	1998	32,985 ⁽⁴⁾	*
Stuart L. Scott	68	1998	101,572 ⁽⁴⁾	*
Class I Continuing Trustees (Terms Expire in 2008)				
Jon E. Bortz	50	1998	147,302 ⁽⁴⁾	*
Donald A. Washburn	62	1998	3,702	*
Class II Continuing Trustees (Terms Expire in 2009)				
Darryl Hartley-Leonard	61	1998	18,193 ⁽⁴⁾	*
Kelly L. Kuhn	41	2003	2,547	*
William S. McCalmont	51	2000	16,386 ⁽⁴⁾	*

- (1) All information has been determined as of February 9, 2007. For purposes of this table a person is deemed to have beneficial ownership of the number of Common Shares which such person has the right to acquire pursuant to the exercise of stock options exercisable within 60 days of February 9, 2007 or the redemption of units (Units) of limited partnership interest in LaSalle Hotel Operating Partnership, L.P., a Delaware limited partnership (the Operating Partnership) of which the Company is the general partner (assuming the Company elects to issue Common Shares rather than pay cash upon such redemption). Pursuant to the terms of the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of April 29, 1998, as amended, upon a notice of redemption from a unitholder, the Operating Partnership is obligated to redeem Units for cash, or, at the option of the Company, Common Shares.
- (2) For purposes of computing the percentage of outstanding Common Shares held by each person, any Common Shares which such person has the right to acquire, within 60 days of February 9, 2007 pursuant to the exercise of a stock option or in exchange for the redemption of Units, are deemed to be outstanding, but are not deemed to be outstanding for the purpose of computing the percent ownership of any other person.
- (3) * represents less than one percent of class.
- (4) The number of Common Shares beneficially owned by each of the following persons includes the number of Common Shares which each such person has the right to acquire pursuant to the exercise of stock options exercisable within 60 days of February 9, 2007. The number of such options for each trustee is as follows: Jon E. Bortz 40,000; Darryl Hartley-Leonard 12,000; William S. McCalmont 15,000; Donald S. Perkins 15,000; and Stuart L. Scott 10,000. The number of Common Shares beneficially owned by Mr. Scott also includes 33,530 Common Shares that he has the right to acquire in exchange for an equal number of Units. The number of Common Shares beneficially owned by the following persons *does not* include the number of Common Shares deferred as a portion of or all of such disinterested trustees' annual retainer (as discussed in Trustee Compensation below): Darryl Hartley-Leonard 10,506; William S. McCalmont 7,559; Donald S. Perkins 13,805; and Stuart L. Scott 9,018. Holders of Deferred Common Shares receive additional deferred shares in an amount equal to the amount of any dividends paid on the Common Shares exchangeable for the outstanding deferred shares, divided by the average closing price of the Common Shares on the New York Stock Exchange during the 10 trading days preceding the first day on which the Common Shares begin trading without entitlement to the applicable dividend. The total number of Deferred Common Shares for each trustee discussed in this

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footnote 4 includes additional deferred shares acquired through dividend reinvestment through December 31, 2006.

Class I Continuing Trustees Terms Expire in 2008

Jon E. Bortz has served as Chairman of the Company's Board of Trustees since January 1, 2001, a trustee of the Company since 1998 and has been President and Chief Executive Officer of the Company since its formation. Mr. Bortz founded the Hotel Group of Jones Lang LaSalle Incorporated (Jones Lang LaSalle), and as President, oversaw all of Jones Lang LaSalle's hotel investment and development activities. From January 1995 as Managing Director of Jones Lang LaSalle's Investment Advisory Division, Mr. Bortz was also responsible for certain east coast development projects, including the redevelopment of Grand Central Terminal in New York City. From January 1990 to January 1995, he was a Senior Vice President of Jones Lang LaSalle's Investment Division, with responsibility for east coast development projects and workouts, including the redevelopment of Union Station in Washington, D.C. Mr. Bortz joined Jones Lang LaSalle in 1981. Mr. Bortz is a member of the Board of Governors of the National Association of Real Estate Investment Trusts. He is also a member of the Board of Trustees of Federal Realty Investment Trust. Mr. Bortz holds a B.S. in Economics from The Wharton School of the University of Pennsylvania and is a Certified Public Accountant in Maryland.

Donald A. Washburn has served as a trustee of the Company since 1998. Mr. Washburn is a member of the Company's Audit Committee, the Nominating and Governance Committee and the Chairman of the Compensation Committee. Mr. Washburn is a private investor. Mr. Washburn is a retired Executive Vice President of Northwest Airlines, Inc. (Northwest) and was the Chairman and President-Northwest Cargo, Inc. Mr. Washburn joined Northwest in 1990 and served in a number of capacities, including Executive Vice President-Customer Service and Operations. Prior to joining Northwest, Mr. Washburn was a corporate Senior Vice President of Marriott Corporation, most recently Executive Vice President and general manager of its Courtyard Hotel division. Mr. Washburn is a director of Amedisys, Inc., The Greenbrier Companies, Inc., Key Technology, Inc. and several privately-held companies. Mr. Washburn serves as a private equity fund advisory board member of Spell Capital Funds II and III. Mr. Washburn graduated from Loyola University of Chicago, Kellogg Graduate School of Management at Northwestern University and the Northwestern University School of Law.

Class II Continuing Trustees Terms Expire in 2009

Darryl Hartley-Leonard has served as a trustee of the Company since 1998. Mr. Hartley-Leonard is a member of the Company's Audit Committee and Nominating and Governance Committee. Mr. Hartley-Leonard is a private investor. Mr. Hartley-Leonard was Chairman and CEO of PGI (an event production agency) from 1998 until 2005 and is a retired Chairman of the Board, President and Chief Executive/Chief Operating Officer of Hyatt Hotels Corporation. Mr. Hartley-Leonard is a director of Jones Lang LaSalle, a global real estate service company. Mr. Hartley-Leonard holds a B.A. from Blackpool Lancashire College of Lancaster University and an honorary doctorate of business administration from Johnson and Wales University.

Kelly L. Kuhn has served as a Trustee of the Company since 2003. Ms. Kuhn is a member of the Company's Compensation Committee and Nominating and Governance Committee. Ms. Kuhn is President of Carlson Wagonlit Travel Military & Government Markets, beginning in 2007. Ms. Kuhn had been President of SatoTravel, a Navigant International company, since 2005. (Navigant International was acquired by Carlson Wagonlit Travel in 2006.) For four years prior, Ms. Kuhn had been Navigant International's Regional President for the north central region. Ms. Kuhn also serves on Carlson Wagonlit Travel North America's executive committee and the strategic planning team. For approximately 10 years prior to joining Navigant International, Ms. Kuhn held several key positions at Arrington Travel Center, including manager of corporate communications, director of client and industry relations, vice president of operations, senior vice president, executive vice president and president and chief operating officer. Ms. Kuhn holds a B.A. from Northwestern University.

William S. McCalmont has served as a trustee of the Company since 2000. Mr. McCalmont is a member of the Company's Audit Committee, the Compensation Committee and the Nominating and Governance

Committee. From 2003 through 2007, Mr. McCalmont served as an Executive Vice President and the Chief Financial Officer of ACE Cash Express, Inc. From 2002 through 2003, Mr. McCalmont served as a founding member and principal of the Turtle Creek Group. From 2000 to 2001, Mr. McCalmont was the Chief Financial Officer of HQ Global Workplaces, Inc. which filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in March 2002. Previously Mr. McCalmont served as the Interim President and Chief Executive Officer and Chief Financial Officer of La Quinta Inns, Inc., the Chief Financial Officer of FelCor Suite Hotels and the Treasurer of Harrah's Entertainment. Mr. McCalmont is a director of Aces Wired, Inc. and serves on that company's audit committee. Mr. McCalmont holds a B.A. from Rollins College and a M.S.I.A. from Carnegie-Mellon University.

Class III Continuing Trustees Nominees for Election at the Annual Meeting Terms Expire in 2010

Donald S. Perkins has served as a trustee of the Company since 1998. Mr. Perkins is the Chairman of the Company's Audit Committee and a member of the Compensation Committee and the Nominating and Governance Committee. He is the retired Chairman of the Board and Chief Executive Officer of Jewel Companies, Inc. (a diversified retailer) (1970 to 1980). Mr. Perkins is Chairman of Nanophase Technologies Corporation and serves as a director of LaSalle U.S. Realty Income III. He has previously served on more than 20 corporate boards including AT&T, Aon, Corning, Cummins Engine, Eastman Kodak, Inland Steel Industries, Kmart, Lucent Technologies, The Putnam Funds, Time Warner and Spring Industries. Mr. Perkins graduated from Yale University and Harvard Business School.

Stuart L. Scott has served as a trustee of the Company since 1998 and as Chairman of the Company's Board of Trustees from 1998 to December 31, 2000. Mr. Scott is the Chairman of the Company's Nominating and Governance Committee. Mr. Scott was the Chairman of the Board of Directors and Chief Executive Officer of Jones Lang LaSalle until December 2004 when he retired from that firm. Mr. Scott also served as Chairman of the Board of Directors and Chief Executive Officer of LaSalle Partners Incorporated and its predecessor entities from December 1992 through December 2001. Mr. Scott is a director of Hartmarx Corporation (a clothing manufacturing company). Mr. Scott holds a B.A. from Hamilton College and a J.D. from the Northwestern University School of Law.

Biographical Information Regarding Executive Officers Who Are Not Trustees

Michael D. Barnello has served as Chief Operating Officer and Executive Vice President of Acquisitions of the Company since its formation and President of LaSalle Hotel Lessee, Inc. Mr. Barnello joined LaSalle Partners Incorporated in April 1995 as a Vice President. Prior to April 1995, Mr. Barnello was a Vice President with Strategic Realty Advisors, formerly known as VMS Realty Partners, where he was responsible for hotel asset management from 1990 to 1995. Concurrently, Mr. Barnello was a Vice President at Stone-Levy LLC, an affiliate of Strategic Realty Advisors, where he was responsible for hotel acquisitions. Mr. Barnello holds a B.S. in Hotel Administration from the Cornell School of Hotel Administration. Mr. Barnello is 41 years old.

Hans S. Weger has served as Chief Financial Officer, Executive Vice President and Treasurer of the Company since August 1998 and as Secretary of the Company since October 1999. Mr. Weger is responsible for all financial, accounting, human resources and information technology activities. Prior to joining the Company, Mr. Weger served as Vice President and Treasurer for La Quinta Inns, Inc. where he was responsible for all financing activities. From 1992 until 1997, Mr. Weger served in various management roles with Harrah's Entertainment, Inc. where he was responsible for strategic planning, mergers and acquisitions and project financing. Mr. Weger holds a B.S. in finance from the University of Southern Mississippi and an M.B.A. from the University of Chicago. Mr. Weger is 43 years old.

Trustee Compensation

Each trustee who is not an employee of or affiliated with the Company receives an annual fee of \$75,000. Prior to the beginning of each year, each trustee makes an election to receive the annual retainer fee half in cash

and half in Common Shares, all in Common Shares or less than half in cash and the remainder in Common Shares. In accordance with the 1998 Share Option and Incentive Plan and procedures adopted by the Company, each such trustee may also elect to defer the receipt of all or a portion of his or her Common Shares (the Deferred Common Shares). Payment of the annual retainer, whether in cash, Common Shares or Deferred Common Shares, is made after the close of business on December 31st of each year in which the trustees served on the Board of Trustees. The number of Common Shares or Deferred Common Shares issued is determined by dividing the dollar amount each trustee elects to receive in the form of Common Shares or Deferred Common Shares by the average daily closing price of the Common Shares on the NYSE for the year ending December 31st. Deferred Common Shares are paid out to a trustee either in a single payment on January 31st of the calendar year, or in five equal annual installments beginning on January 31st of the calendar year, following the year in which the trustee ceases to serve on the Board of Trustees. Holders of Deferred Common Shares receive additional deferred shares in an amount equal to the amount of any dividends paid on the Common Shares exchangeable for the outstanding Deferred Common Shares, divided by the average closing price of the Common Shares on the NYSE during the 10 trading days preceding the first day on which the Common Shares begin trading without entitlement to the applicable dividend.

Additionally, the Chairman of the Audit Committee and the Chairman of the Compensation Committee each receive an additional \$5,000 in compensation, which is subject to the same cash, Common Shares or Deferred Common Shares elections described above. Trustees do not receive any additional compensation in any form for their service, including for attendance at Board or Committee meetings or other equity grants. The Company reimburses trustees for out-of-pocket expenses incurred in connection with their service on the Board of Trustees. For the year ended December 31, 2006, the trustees who were not employees of the Company (six individuals) received the following total compensation:

Summary of Non-Executive Trustee Compensation⁽¹⁾

Name	Fees Earned or Paid in Cash	Share Awards	All Other Compensation	Total
Darryl Hartley-Leonard	\$ 37,500	\$ 41,801 ⁽²⁾	\$ 16,074 ⁽³⁾	\$ 95,375
Kelly L. Kuhn	37,500	41,801 ⁽⁴⁾		79,301
William S. McCalmont	37,500	41,801 ⁽⁵⁾	11,565 ⁽³⁾	90,866
Donald S. Perkins		4,307	98,243 ⁽⁶⁾	102,550
Stuart L. Scott		4,307	86,083 ⁽⁷⁾	90,390
Donald A. Washburn	40,000	44,295 ⁽⁸⁾		84,295

- (1) Awards of Common Shares and Deferred Common Shares in satisfaction of the 2006 annual fee are shown at their grant date fair value in accordance with FAS 123R. In addition, amounts shown in the Share Awards column include the compensation expense, or FAS 123R amortization, recognized by the Company on its fiscal year 2006 financial statements relating to grants of restricted stock awards made to the trustees in prior years.
- (2) The trustee elected to receive 887 Common Shares at grant price of \$42.271 which is the average daily closing price of the Common Shares on the NYSE for the year ended December 31, 2006. The trustee has 6,193 Common Shares, 12,000 stock options and 10,506 Deferred Common Shares.
- (3) Represents the value of dividends paid in 2006 on the Deferred Common Shares.
- (4) The trustee elected to receive 887 Common Shares at grant price of \$42.271 which is the average daily closing price of the Common Shares on the NYSE for the year ended December 31, 2006. The trustee has 2,547 Common Shares.
- (5) The trustee elected to receive 887 Common Shares at grant price of \$42.271 which is the average daily closing price of the Common Shares on the NYSE for the year ended December 31, 2006. The trustee has 1,386 Common Shares, 15,000 stock options and 7,559 Deferred Common Shares.
- (6) The trustee elected to receive 1,893 Deferred Common Shares at a grant price of \$42.271 which is the average daily closing price of the Common Shares on the NYSE for the year ended December 31, 2006. The trustee has 17,985 Common Shares, 15,000 stock options and 13,805 Deferred Common Shares. Of the amount shown above, \$80,019 is the value of the Deferred Common Shares granted in 2006 and \$18,224 is the value of dividends paid in 2006 on the Deferred Common Shares.

- (7) The trustee elected to receive 1,893 Deferred Common Shares at a grant price of \$42.271 which is the average daily closing price of the Common Shares on the NYSE for the year ended December 31, 2006. The trustee has 58,042 Common Shares, 10,000 stock options, 33,530 units of limited partnership interest in our operating partnership and 9,018 Deferred Common Shares. Of the amount shown above, \$75,000 is the value of the Deferred Common Shares granted in 2006 and \$11,083 is the value of dividends paid in 2006 on the Deferred Common Shares.
- (8) The trustee elected to receive 887 Common Shares at grant price of \$42.271 which is the average daily closing price of the Common Shares on the NYSE for the year ended December 31, 2006. The trustee has 3,702 Common Shares.

The Board of Trustees and Its Committees

The Company is managed by a seven member Board of Trustees. Six of the trustees are independent of the Company's management. The Board of Trustees held eight meetings during 2006, and each trustee attended at least 75% of the Board meetings and each trustee's respective committee meetings. LaSalle Hotel Properties has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The Board of Trustees does not have a policy with respect to trustees' attendance at Annual Meetings of Shareholders, and, because of the routine nature of the meeting and historical low levels of shareholder participation at Annual Meetings of Shareholders, members of the Board of Trustees did not attend the last Annual Meeting of Shareholders.

Independence of Trustees

At least a majority of the Company's trustees and each member of the current committees of the Board of Trustees must meet the test of independence as defined by the New York Stock Exchange (the NYSE). The NYSE standards provide that to qualify as an independent trustee, in addition to satisfying certain NYSE bright-line criteria relating to trustee independence, the Board of Trustees must affirmatively determine that a trustee has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board of Trustees has determined that each of Ms. Kuhn and Messrs. Hartley-Leonard, McCalmont, Perkins, Scott and Washburn satisfies the NYSE bright-line criteria and that none has any relationship with the Company either directly or indirectly other than as a trustee of the Company. Therefore, the Board of Trustees believes that each of these trustees is independent under the NYSE rules.

We have three committees of the Board of Trustees that are described below and the members of the committees are identified in the following table.

Trustee	Nominating and		
	Audit Committee	Compensation Committee	Governance Committee
Darryl Hartley-Leonard	X		X
Kelly L. Kuhn		X	X
William S. McCalmont	X	X	X
Donald S. Perkins	Chair	X	X
Stuart L. Scott			Chair
Donald A. Washburn	X	Chair	X
Total Meetings Held	5	6	1

Audit Committee

The Audit Committee makes recommendations concerning the engagement of independent public accountants; reviews with the independent public accountants the plans and results of the audit engagement; approves professional services provided by the independent public accountants; reviews the independence of the independent public accountants; and considers the range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls. The Board of Trustees has affirmatively determined that each Audit

Committee member is independent as defined in Sections 303A.02 and 303A.07 of the listing standards of the NYSE and under the Securities and Exchange Commission (SEC) rules for audit committees. Additionally, the Audit Committee is responsible for monitoring the Company's procedures for compliance with the rules for taxation as a real estate investment trust under Sections 856-860 of the Internal Revenue Code of 1986 (the Code). The Audit Committee has adopted a written audit charter which outlines certain specified responsibilities of the Audit Committee and complies with the rules of the SEC and the NYSE. The Board of Trustees approved an amendment to the Audit Committee Charter clarifying that the Audit Committee is expected to review the Company's proposed responses to any comments of the SEC staff to the Company's periodic or current reports filed pursuant to the Securities Act of 1934.

Compensation Committee

The Compensation Committee exercises all powers delegated to the Committee by the Board of Trustees in connection with compensation matters, including incentive compensation and benefit plans. The Compensation Committee has authority to grant awards under the Company's 1998 Share Option and Incentive Plan, as amended (the 1998 Share Option and Incentive Plan). Additionally, the Compensation Committee is responsible for reviewing any transactions that involve potential conflicts of interest. This includes any potential conflicts involving executive officers, trustees and their immediate family members. Our corporate governance guidelines provide in writing that each member of our Board of Trustees will disclose any potential conflicts of interest to the Board and, if appropriate, refrain from voting on a matter in which the trustee may have a conflict. Our Code of Business Conduct and Ethics expressly prohibits the continuation of any conflict of interest by an employee, officer or trustee except under guidelines approved by the Board of Trustees. Because the facts and circumstances regarding potential conflicts are difficult to predict, the Board of Trustees had not adopted a written policy for evaluating conflicts of interests. In the event a conflict of interest arises, the Board of Trustees will review, among other things, the facts and circumstances of the conflict, the Company's applicable corporate governance policies, the effects of any potential waivers of those policies, applicable state law, and NYSE continued listing rules and regulations, and will consider the advice of counsel, before making any decisions regarding the conflict. The Board of Trustees has affirmatively determined that each member of this committee is independent under the NYSE listing standards.

Nominating and Governance Committee

The Nominating and Governance Committee assists the Board of Trustees by identifying individuals qualified to become Board members; recommends to the Board of Trustees the trustee nominees for the next Annual Meeting of Shareholders; recommends to the Board of Trustees the corporate governance guidelines applicable to the Company; leads the Board of Trustees in its annual review of the performance of the Board, all committees and each individual trustee; and recommends to the Board of Trustees the trustee nominees for each committee. The Board of Trustees has affirmatively determined that each member of this committee is independent under the NYSE listing standards.

Policy on Majority Voting

Effective February 15, 2007, we adopted additional bylaw provisions concerning majority voting. Pursuant to the bylaw provisions, in an uncontested election of trustees, any nominee who receives a greater number of votes *withheld* from his or her election than votes *for* his or her election will, within two weeks following certification of the shareholder vote by the Company, submit a written resignation offer to the Board of Trustees for consideration by our Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee will consider the resignation offer and, within 60 days following certification by the Company of the shareholder vote at the election, will make a recommendation to the Board of Trustees concerning the acceptance or rejection of the resignation offer.

In determining its recommendation to the Board of Trustees, the Nominating and Corporate Governance Committee will consider all factors its members deem relevant, which may include:

the stated reason or reasons why shareholders who cast *withhold* votes for the trustee did so,

the qualifications of the trustee (including, for example, whether the trustee serves on the Audit Committee of the Board as an audit committee financial expert and whether there are one or more other trustees qualified, eligible and available to serve on the Audit Committee in such capacity), and

whether the trustee's resignation from the Board of Trustees would be in the Company's best interests and the best interests of our shareholders.

The Nominating and Corporate Governance Committee also will consider a range of possible alternatives concerning the director's resignation offer as the members of the Nominating and Corporate Governance Committee deem appropriate, which may include:

acceptance of the resignation offer,

rejection of the resignation offer, or

rejection of the resignation offer coupled with a commitment to seek to address the underlying cause or causes of the majority-withheld vote.

Under the bylaw provisions, the Board of Trustees will take formal action on the recommendation no later than 90 days following certification of the shareholder vote by the Company. In considering the recommendation, the Board of Trustees will consider the information, factors and alternatives considered by the Nominating and Corporate Governance Committee and any additional information, factors and alternatives as the Board of Trustees deems relevant. Any trustee offering to resign will not participate in the Committee's or Board's consideration of whether to accept such resignation offer. We will publicly disclose, in a Form 8-K filed with the SEC, the decision of the Board of Trustees. The Board of Trustees will also provide an explanation of the process by which the decision was made and, if applicable, its reason or reasons for rejecting the tendered resignation.

Nomination of Trustees

The Board of Trustees is divided into three classes with each class standing for election every three years. Before each Annual Meeting of Shareholders, the Nominating and Governance Committee considers the nomination of trustees in the class whose term expires at the next Annual Meeting of Shareholders and also considers new candidates whenever there is a vacancy on the Board or whenever a vacancy is anticipated due to a change in the size or composition of the Board, a retirement of a trustee or for any other reasons. In addition to considering incumbent trustees, the Nominating and Governance Committee identifies trustee candidates based on recommendations from the trustees and executive officers. The committee also has previously engaged, and may in the future engage, the services of third-party search firms to assist in identifying or evaluating trustee candidates. No such firm was engaged in 2006.

The Nominating and Governance Committee evaluates annually the effectiveness of the Board as a whole and of each individual trustee and identifies any areas in which the Board would be better served by adding new members with different skills, backgrounds or areas of experience. The Board of Trustees considers trustee candidates based on a number of factors including: whether the Board member will be independent, as such term is defined by the NYSE listing standards; whether the candidate possesses the highest personal and professional ethics, integrity and values; and whether the candidate has an inquisitive and objective perspective, practical wisdom and mature judgment. Candidates are also evaluated on their understanding of the Company's business and willingness to devote adequate time to carrying out their duties. The Nominating and Governance Committee also monitors the mix of skills, experience and background to assure that the Board has the necessary composition to effectively perform its oversight function.

The Nominating and Governance Committee will consider appropriate nominees for trustees whose names are submitted in writing by a shareholder of the Company. Trustee candidates submitted by our shareholders will be evaluated by the Nominating and Governance Committee on the same basis as any other trustee candidates.

Nominations must be addressed to LaSalle Hotel Properties, 3 Bethesda Metro Center, Suite 1200, Bethesda, Maryland 20814, Attn: Hans S. Weger, Corporate Secretary, indicating the nominee's qualifications and other relevant biographical information and providing confirmation of the nominee's consent to serve as trustee, if elected. In order to be considered for the next annual election of trustees, any such written request must comply with the requirements set forth in the Bylaws of the Company and below under "Other Matters" Shareholder Proposals.

Non-Management Trustee Executive Sessions

As required by the rules of the NYSE, the non-management trustees of the Company's board regularly meet in scheduled executive sessions, without management present. These executive sessions generally follow after each meeting of the Board, each meeting of the Audit Committee and each meeting of the Compensation Committee. In 2006, the non-management trustees of the Board, the non-management members of the Audit Committee and the non-management members of the Compensation Committee each met in executive session without management present at least four times. Pursuant to a resolution of the Board of Trustees, the sitting Chairman of the Nominating and Governance Committee of the Board of Trustees presides over each executive session of the Board of Trustees. The current Chairman of the committee is Stuart L. Scott. Executive sessions of the Audit Committee and of the Compensation Committee are presided over by the respective Chairman of the committee.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Kelly L. Kuhn, William S. McCalmont, Donald S. Perkins and Donald A. Washburn (Chairman). None of them has served as an officer of the Company or any of its subsidiaries. No member of the Compensation Committee has any other business relationship or affiliation with the Company or any of its subsidiaries (other than his or her service as a trustee).

Committee Charters, Governance Guidelines and Code of Ethics

Each committee of the Board of Trustees has a written charter approved by the respective committee and the Board of Trustees. The Company also has adopted a code of ethics that applies to all Company employees and each member of the Company's Board of Trustees. A copy of each charter, our code of ethics and our corporate governance guidelines can be found under the "Investor Relations" section of our website at www.lasallehotels.com. Copies of these documents are also available in print to any shareholder who requests them. Requests should be sent in writing to LaSalle Hotel Properties, 3 Bethesda Metro Center, Suite 1200, Bethesda, Maryland 20814, Attn: Hans S. Weger, Corporate Secretary.

Shareholder Communication with the Board of Trustees, Presiding Trustee of the Non-Management Trustees and the Audit Committee

LaSalle Hotel Properties' Board of Trustees may be contacted via mail at the address listed below.

Board of Trustees

LaSalle Hotel Properties

3 Bethesda Metro Center, Suite 1200

Bethesda, Maryland 20814

As discussed above, the presiding trustee of non-management executive sessions of the trustees is the sitting Chairman of the Nominating and Governance Committee of the Board of Trustees. The current Chairman of the committee is Stuart L. Scott. Mr. Scott can be contacted via mail at the address listed below.

Presiding Trustee

Board of Trustees

LaSalle Hotel Properties

3 Bethesda Metro Center, Suite 1200

Bethesda, Maryland 20814

The Audit Committee has adopted a process for anyone to send communications to the Audit Committee with concerns or complaints concerning the Company's regulatory compliance, accounting, audit or internal controls issues. The Audit Committee can be contacted via mail at the address listed below.

Chairman

Audit Committee

LaSalle Hotel Properties

3 Bethesda Metro Center, Suite 1200

Bethesda, Maryland 20814

**PROPOSAL 2: RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of the Board of Trustees of the Company has selected the accounting firm of KPMG LLP to serve as independent registered public accountants of the Company for the year ending December 31, 2007, subject to ratification of this appointment by the shareholders of the Company. KPMG LLP has served as the Company's independent registered public accountants since the Company's formation in January 1998 and is considered by management of the Company to be well qualified.

Fee Disclosure

The following is a summary of the fees billed to the Company by KPMG LLP for professional services rendered for the years ended December 31, 2006 and December 31, 2005:

	Year Ended December 31, 2006	Year Ended December 31, 2005
Audit Fees	994,980	\$ 824,476
Audit-Related Fees	166,663	224,257
Tax Fees	301,207	222,376
All Other Fees		
Total	\$ 1,462,850	\$ 1,271,109

Audit Fees

Consist of fees billed for professional services rendered for the audit of the Company's consolidated financial statements (including property-level audits and an audit of LaSalle Hotel Lessee, Inc., the Company's taxable real estate investment trust subsidiary), review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements. Audit fees also include fees for professional services rendered for the audits of (i) management's assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting.

Audit-Related Fees

Consist of fees billed for professional services in connection with acquisitions and dispositions, comfort letters and SEC registration statements.

Tax Fees

Consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance and acquisitions and dispositions tax planning.

All Other Fees

Consist of fees for products and services other than services described under Audit Fees, Audited-Related Fees and Tax Fees. KPMG LLP did not perform any services for the Company during years ending December 31, 2006 and 2005 other than services described under Audit Fees, Audited-Related Fees, and Tax Fees.

Pre-Approval Policy

The Audit Committee or its Chairman pre-approves all services rendered by the Company's independent registered public accountants. All of the fees paid to KPMG LLP that are described above were approved by the Audit Committee or its Chairman.

A representative of KPMG LLP will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

The Audit Committee has considered whether (and has determined that) the provision by KPMG LLP of the services described under Audit-Related Fees, Tax Fees and Other Fees is compatible with maintaining KPMG LLP's independence from management and the Company.

The Board of Trustees recommends a vote FOR the ratification of the appointment of the independent registered public accountants.

AUDIT COMMITTEE REPORT

The following is a report by the Company's Audit Committee regarding the responsibilities and functions of the Audit Committee.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Trustees, in accordance with the Audit Committee Charter. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and discussed with management the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee also reviewed and discussed the Company's year end earnings release and script for year end earnings teleconferences with management.

The Audit Committee reviewed with the independent registered public accountants, who are responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards. In addition, the Audit Committee has discussed with the independent registered public accountants the auditors' independence, the matters required to be discussed by Statement on Auditing Standards No. 61 and discussed and received the written disclosures and the letter from the independent registered public accountants required by Independence Standards Board Standard No. 1.

The Audit Committee discussed with the Company's independent registered public accountants the overall scope and plans for their audit. The Audit Committee meets at least five times per year with the independent registered public accountants, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee holds meetings with management prior to the filing of each of the Company's Quarterly

Reports on Form 10-Q with the SEC and the release to the public of its quarterly earnings, and reviews and discusses with management the Company's Quarterly Reports on Form 10-Q and its quarterly earnings releases and scripts for quarterly earnings teleconferences.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Trustees (and the Board has approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for its year ended December 31, 2006 for filing with the SEC.

The Audit Committee is also responsible for monitoring the Company's procedures for compliance with the rules for taxation as a real estate investment trust (REIT) under Sections 856-860 of the Code.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting. Members of the Audit Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent registered public accountants. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that KPMG LLP is in fact independent.

The Audit Committee has adopted a written Audit Committee Charter that outlines certain specified responsibilities of the Audit Committee and complies with the rules of the SEC and the NYSE. The Audit Committee held five meetings during 2006.

Each of the Audit Committee members is independent as defined by the NYSE listing standards and each member is financially literate. The Board of Trustees has identified Donald S. Perkins and William S. McCalmont as the Audit Committee's financial experts within the meaning of the SEC rules.

Submitted by the Audit Committee

of the Board of Trustees

Donald S. Perkins (Chairman)

William S. McCalmont

Donald A. Washburn

Darryl Hartley-Leonard

EXECUTIVE OFFICER COMPENSATION

Compensation Discussion and Analysis

Overview

The Company's primary objectives are to provide a stable stream of income to its shareholders through increases in distributable cash flow and to increase long-term total returns to shareholders through appreciation in the value of its Common Shares. To do so, the Company seeks to enhance the return from, and the value of, the hotels in which it owns interests and any additional hotels the Company may acquire or develop, and invest in or acquire additional hotel properties on favorable terms.

In turn, the purpose of the Company's executive compensation program has been and is to achieve the Company's primary objectives by attracting, retaining and motivating talented executives by providing incentives and economic security. More specifically, the Company's executive compensation is designed to reward favorable total shareholder returns, both in an absolute amount and relative to peers of the Company, taking into consideration the Company's competitive position within the real estate industry and each executive's long-term career contributions to the Company. In order to achieve this goal, in addition to annual base salaries, the executive compensation program utilizes a combination of long-term incentives through equity-based compensation and annual incentives through cash bonuses. The program is intended to align the interests of its Chief Executive Officer, Chief Operating Officer and Chief Financial Officer (the "Named Executive Officers") with those of the Company's shareholders by linking a portion of each Named Executive Officer's overall compensation directly to increases in total shareholder returns. The Company seeks to provide overall compensation to the Named Executive Officers that is competitive with total compensation paid by REITs similar to the Company, either by size or by industry (in this case, the REIT lodging industry).

The annual cash incentive bonus for a fiscal year is typically paid in the spring of the fiscal year following such fiscal year, when audited financial statements for such fiscal year become available for both the Company and other publicly-traded lodging REITs. For example, the Company expects to pay the Named Executive Officers their 2006 cash incentive bonus in March 2007.

Long-term equity incentive awards with respect to a fiscal year may be issued near the beginning of such fiscal year or toward the end of the fiscal year before such fiscal year. For example, in January 2006, the Company issued long-term equity incentive awards to the Named Executive Officers with respect to fiscal year 2006. In addition, in December 2006, the Company issued long-term equity incentive awards to the Named Executive Officers with respect to fiscal year 2007. As a result, the compensation tables in this proxy statement show two fiscal years of long-term equity incentive awards. The Compensation Committee anticipates issuing long-term equity incentive awards near the end of 2007 or in early 2008 with respect to fiscal year 2008.

The Compensation Committee determines compensation for the Named Executive Officers. The Compensation Committee consists of four trustees, Kelly L. Kuhn, William S. McCalmont, Donald S. Perkins and Donald A. Washburn (Chairman). The Compensation Committee exercises independent discretion in respect of executive compensation matters. However, as part of the executive compensation determination process, the Committee seeks input from the Chief Executive Officer. Moreover, the Named Executive Officers are requested each year to prepare a list of management business objectives ("MBOs") for the upcoming year. MBOs are used to determine twenty-five percent of each Named Executive Officer's annual target cash incentive bonus. MBOs vary from year to year and may consist of matters such as achievement of specified financial performance at individual hotels; achievement of particular business items, such as renovations or repositioning of hotels; development of compliance programs; and development of strategic plans. The MBOs focus, in part, on enhancing the return from, and value of, the Company's hotels. Each year's proposed MBOs are discussed with the Committee, whose members may require modifications. The final MBOs are approved by the Board of Trustees. On a quarterly basis, the Named Executive Officers provide the Compensation Committee with status reports on their success in achieving the MBOs.

Executive compensation for fiscal year 2006 primarily consisted of (i) annual cash base salary, (ii) annual cash incentive bonus and (iii) restricted share awards granted in January 2006 and subject to time-based forfeiture provisions. Pursuant to the time-based forfeiture provisions, the restricted share awards made with respect to fiscal year 2006 vest one-third of the original grant amount on January 1, 2008, 2009 and 2010. Compensation in 2006 also included benefits and other perquisites, such as 401(k) plan matching and payment of health and welfare plan premiums.

Compensation for fiscal year 2006 for each of our Named Executive Officers was determined by the Compensation Committee based on a review of total compensation paid by the Company to each Named Executive Officer in prior years, publicly-disclosed compensation packages of executives of other public lodging and other REITs and the Company's performance both nominally and as compared to other public lodging REITs.

In December 2006, the Compensation Committee established a revised compensation program for the Named Executive Officers effective for fiscal years 2007 and later. Prior to establishing the revised plan, the Compensation Committee retained Towers Perrin, an independent human resources and compensation consulting firm, and instructed Towers Perrin to report to the Compensation Committee on market data on executive pay levels and incentive program designs, to recommend compensation levels for the Named Executive Officers and to recommend modifications to the Company's existing annual and long-term incentive plan designs.

A large portion of the Compensation Committee's work in 2006 focused on developing the new program and on compensation decisions affecting the 2007 compensation of the Named Executive Officers. A key component of the new program was additional emphasis on long-term compensation and retention incentives. As discussed in more detail below, the Compensation Committee wanted to strengthen the alignment of the Named Executive Officers' interests with those of the Company's shareholders through long-term equity incentive awards that vested over time and were determined based on the achievement of performance thresholds. This new compensation program took effect with the long-term equity incentive awards made to the Named Executive Officers in December 2006. Because of its importance and to provide context to the Compensation Committee's compensation decisions with respect to the Named Executive Officers in 2006, this Compensation Discussion and Analysis addresses the new policies going forward.

During 2006, the Compensation Committee met three times with Towers Perrin to discuss its compensation study, its research and its recommendations. In addition, the Chairman and other members of the Compensation Committee devoted additional time studying the Company's compensation program and considering alternatives. These members also met individually, in person or telephonically, with Towers Perrin to further direct and discuss its compensation study. Among other matters, Towers Perrin compared the Company's compensation of the Named Executive Officers to that of three groups: (i) a sample of 25 public REITs, spanning industry subsectors and asset classes but which were comparable to the Company in total enterprise value (which is the Company's total equity plus total debt); (ii) a group of eight public lodging REITs; and (iii) a group of five public lodging REITs deemed most comparable to the Company.

Towers Perrin's reports focused on industry comparisons, based on the sample groups described above, of total compensation and its components, base salary and incentive compensation, which consisted of cash bonuses and equity awards. In addition to the above, the Committee also solicited Mr. Bortz's compensation recommendations for the Named Executive Officers. The Committee evaluated Mr. Bortz's recommendations and the findings of Towers Perrin's compensation study. Towers Perrin was instructed to provide additional reports, including an incremental cost analysis, addressing the terms of the compensation program on which the Compensation Committee anticipated adopting and addressing the concerns and recommendations of Mr. Bortz. The Committee considered other matters, including the Named Executive Officers' compensation in prior years from both a total compensation and incentive compensation perspective and compared such compensation to the performance of the Company in prior years and its relative performance to its peers based on total shareholder return, and including total compensation payable under different scenarios such as change in control of the

Company or termination of the Named Executive Officers' employment. With respect to incentive compensation, the Committee considered the number of share option awards that remained vested but unexercised, the number of shares of restricted stock that were vested and the number of shares of restricted stock that were outstanding but unvested.

The Compensation Committee determined that executive compensation for fiscal year 2007 primarily will consist of (i) annual cash base salary, (ii) annual cash incentive bonus, (iii) restricted share awards granted in December 2006 and subject to time-based forfeiture provisions, (iv) a special grant of restricted share awards also made in December 2006 and subject to time-based forfeiture provisions, and (v) restricted share awards granted in December 2006 the earned amount of which will depend on Company performance over a three-year period and subject to time-based forfeiture provisions once earned. Pursuant to the time-based forfeiture provisions, the restricted share awards described in (iii) and (iv) vest one-third of the original grant amount on January 1, 2008, 2009 and 2010. The awards described in (v) are determined on January 1, 2010 and vest one-third of the earned amount on January 1, 2010, 2011 and 2012.

For 2007, the Committee sought to make a greater portion (as compared to its historical practices) of each Named Executive Officer's overall compensation (i) payable over a longer period than one year, (ii) depend more strongly on the Company's performance relative to other REITs, and (iii) depend more strongly on the Company's total shareholder return. The Committee intentionally subjected a greater portion of the Named Executive Officers' total compensation to the risk of the Company's relative performance and its total shareholder return. If the Company has poor relative performance and/or poor total shareholder return, the Named Executive Officers will receive reduced incentive compensation and reduced total compensation. In return, the Named Executive Officers have an opportunity, in the event of superior relative performance and superior total shareholder return, to earn overall compensation packages greater than the compensation historically paid by most of the Company's peers to their executive officers. The Compensation Committee imposed nominal limits on certain aspects of the incentive compensation to help control unexpected levels of overall compensation to the Named Executive Officers as a result of extraordinary Company performance and total shareholder return and to maintain aggregate compensation at a level that is reasonable in the Company's overall cost structure. The Committee may disregard the limits in its discretion.

The Company pays sufficient annual base salary to provide the Named Executive Officers with a reasonable standard of living and a base wage at an approximately median level compared to its peers. The Company pays annual cash incentive bonuses the amount of which depends on management's achievement of the applicable MBOs and the Company's Comparable FFO per share (as defined below) performance relative to specific competitors and the Company's performance in absolute terms to encourage the Named Executive Officers to pursue strategies that, to an appropriate degree, will benefit the Company in the near and long term. The Company pays time-based and performance-based long-term equity incentive compensation to encourage the Named Executive Officers to pursue strategies that will create value for our shareholders over the long term and to promote continuity of management by retaining the Named Executive Officer.

Effective for fiscal years 2007 and later, the Committee seeks to have a minority of overall executive compensation be paid in the form of annual base salary and approximately half in the form of long-term equity incentive awards. For the Chief Executive Officer, approximately 25% of his overall compensation is annual salary, approximately 25% is in the form of annual cash incentive bonus and approximately 50% is in the form of long-term equity incentive awards, whether those awards are subject to time-based forfeiture provisions only or to both time-based forfeiture provisions and performance criteria. For the Chief Operating Officer and the Chief Financial Officer, the percentages are approximately 25%, 20% and 55%, respectively. The foregoing percentages are based on an assumption that the annual cash incentive bonus paid and the amount of the performance-based long-term equity incentive awards issued are equal to the targeted amounts. In the event of under- or over-performance, the percentages could vary materially.

Components and Criteria of Executive Compensation

The following narrative discusses the components of historical fiscal year 2006 and fiscal year 2007 compensation.

Fiscal Year 2006

Base Salary. For 2006, the base salary of each of our Named Executive Officers was based on the review of the Compensation Committee described above and the following:

an assessment of the scope of the Named Executive Officer's responsibilities and leadership;

the Named Executive Officer's expertise and experience within the industry;

the competitive market compensation paid to executive officers in similar positions at public REITs that are the Company's peers, both by industry segment (lodging) and size (enterprise value);

the Company's overall financial and business performance; and

the Named Executive Officer's contributions to the Company.

The 2006 annual base salaries for the Named Executive Officers are provided in the table at the end of this subsection and in the Summary Compensation Table further below.

Annual Cash Incentive Bonus. The annual cash incentive bonus program is intended to compensate the Company's Named Executive Officers for achieving our annual financial goals at both the corporate and hotel asset levels, as well as implementing long-term plans and strategies. The annual cash incentive bonus program is based on performance and responsibility level rather than on the basis of seniority, tenure or other entitlement. This performance-based program encourages our officers to continually improve their capabilities to deliver short- and long-term business results. The Committee set the Named Executive Officer target annual cash incentive bonuses so that they are competitive with bonuses paid to executive officers in similar positions and with similar responsibilities at companies in the Company's previously-described peer groups.

The Committee emphasizes the importance of incentive cash compensation (the annual cash incentive bonus program) as a component of total compensation for the Named Executive Officers. This component of the Company's compensation program is an investment in high quality, successful employees who can improve the operational performance of the existing portfolio and generate new business opportunities and investments that create value for shareholders.

The annual cash incentive bonus is the product of the Named Executive Officer's annual target bonus (which is a percentage of his annual base salary) and a formula number. Depending on the achievement of the predetermined targets, the actual annual cash incentive bonus may be less than or greater (subject to a cap) than the target bonus. For 2006, the formula number is capped at 150%. As described below, the formula number consists of three components. At the Board's discretion, it may allocate greater weight to any of the three components than the proportions stated below, and it may pay bonuses exceeding 150% of the target bonus.

The target bonuses for the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer for 2006 are \$475,000 (100% of annual base salary), \$250,000 (approximately 71% of annual base salary) and \$250,000 (approximately 71% of annual base salary), respectively.

The annual cash incentive bonus formula number consists of the following three components: (i) twenty-five percent of each target annual cash incentive bonus is based on management's achievement of the MBOs, as determined in the discretion of the Compensation Committee; (ii) fifty percent of each target annual cash incentive bonus is based on the Company's Comparable FFO per share performance relative to a budget scale that the Board of Trustees approved at the January 2006 Board meeting; and (iii) twenty-five percent of each target annual cash incentive bonus is based upon the Company's Comparable FFO per share relative to the

Comparable FFO per share growth of a pre-selected peer group consisting of nine other publicly-traded hotel REITs, which the Committee determined were reasonably comparable to the Company at the beginning of 2006. The following companies comprise the peer group for the 2006 annual cash incentive bonus:

Ashford Hospitality Trust, Inc.;

Eagle Hospitality Properties Trust, Inc.;

Equity Inns, Inc.;

FelCor Lodging Trust Incorporated;

Highland Hospitality Corporation;

Host Hotels & Resorts, Inc.;

Innkeepers USA Trust;

Strategic Hotels & Resorts, Inc.; and

Sunstone Hotel Investors, Inc.

When the 2006 peer group was initially established by the Committee, Boykin Lodging Company and MeriStar Hospitality Corporation were included. However, both companies were acquired in transactions that resulted in the companies no longer being publicly held and financial data about the companies was no longer publicly available. As a result, the Committee later removed the two companies from the peer group.

The basis of the comparison is the percentage increase in comparable funds from operations per share (Comparable FFO), calculated based on each company's published 2005 and 2006 funds from operations per share, after adjustment for any expenses related to terminating leases, impairment charges and acquisition costs for the purchase of any affiliated lessee during the year. The Compensation Committee in its discretion may further adjust Comparable FFO or the Company's Comparable FFO for one-time expenses incurred by companies in the peer group or the Company.

Long-Term Equity Incentive Awards. The 1998 Share Option and Incentive Plan allows for long-term incentives to Named Executive Officers and key employees of, and consultants and other service providers to, the Company, its subsidiaries and advisors through grants of option rights, appreciation rights and restricted share awards. Awards granted to Named Executive Officers and other employees under the incentive plan are designed to provide those grantees with an incentive to promote the long-term success of the Company in line with the shareholders' interests. The awards align the Named Executive Officers' interest with the interests of shareholders by providing the Named Executive Officers with an ownership interest in the Company and a stake in the Company's success. The 1998 Share Option and Incentive Plan is administered by the Compensation Committee, which has the discretion to determine those individuals or entities to whom awards will be granted, the number of shares subject to such rights and awards and other terms and conditions of the option rights, appreciation rights and restricted share awards. Each such award may have a vesting period that is tied to each Named Executive Officer's or employee's continued service to the Company or a specifically identified set of performance measures.

The Compensation Committee made long-term equity incentive awards to the Named Executive Officers in January 2006. The January 2006 awards were intended as compensation for fiscal year 2006 and consisted of immediate awards of restricted shares subject to time-based vesting only. The Chief Executive Officer received 14,241 shares. The Chief Operating Officer received 10,875 shares and the Chief Financial Officer received 9,581 shares. The shares vest one-third of the original award amount on January 1, 2008 and one-third on each of the next two

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anniversaries of that date. The Named Executive Officer receives all dividends paid on the restricted shares after the date of issuance, and dividends received are non-forfeitable.

On the following page is a summary of the amounts and relative percentages of the three primary compensation components (excluding benefits, perquisites and other compensation not part of such three components) paid to the Named Executive Officers for the fiscal years in the period from 2001 through 2006, inclusive. Information for fiscal year 2006 is not complete because the 2006 annual cash incentive bonus has not been determined as of the date of this proxy statement. In addition, the fiscal year 2006 information in the following table does not show long-term equity incentive awards granted in December 2006 because they are part of fiscal year 2007 compensation. Due to rounding, in certain cases the sum of the compensation components percentages may total to more than 100%. All dollar amounts given for Time-Based Restricted Share Awards are full grant date fair values.

Name and Principal Position	Year	Time- Based				Time- Based				
		Salary	Non-Equity Incentive Plan Compensation ⁽¹⁾	Restricted Share Awards	Total	Salary	Non-Equity Incentive Plan Compensation	Restricted Share Awards	Total	
Jon E. Bortz Chairman of the Board,	2006	\$ 475,000	TBD	\$ 549,987	TBD	TBD	TBD	TBD	TBD	
	2005	425,000	\$ 637,500	500,012	\$ 1,562,512	27%	41%	32%	100%	
	2004	315,750	536,775		852,525	37%	63%	0%	100%	
President and Chief Executive Officer	2003	303,600	258,060	959,988	1,521,648	20%	17%	63%	100%	
	2002	291,900	347,361		639,261	46%	54%	0%	100%	
	2001	278,000	628,280	1,243,789	2,150,069	13%	29%	58%	100%	
Michael D. Barnello Chief Operating Officer	2006	\$ 350,000	TBD	\$ 419,993	TBD	TBD	TBD	TBD	TBD	
	2005	315,000	\$ 337,500	399,991	\$ 1,052,491	30%	32%	38%	100%	
	2004	250,450	282,880		533,330	47%	53%	0%	100%	
and Executive Vice President of Acquisitions	2003	240,800	136,000	661,989	1,038,789	23%	13%	64%	100%	
	2002	231,525	183,052		414,577	56%	44%	0%	100%	
	2001	220,500	331,090	869,815	1,421,405	16%	23%	61%	100%	
Hans S. Weger Chief Financial Officer,	2006	\$ 350,000	TBD	\$ 370,018	TBD	TBD	TBD	TBD	TBD	
	2005	315,000	\$ 337,500	350,011	\$ 1,002,511	31%	34%	35%	100%	
	2004	250,450	282,880		533,330	47%	53%	0%	100%	
Executive Vice President and Secretary	2003	240,800	136,000	661,989	1,038,789	23%	13%	64%	100%	
	2002	231,525	183,052		414,577	56%	44%	0%	100%	
	2001	220,500	331,090	843,567	1,395,157	16%	24%	60%	100%	

(1) Amounts represent the annual cash incentive bonus.

Fiscal Year 2007

The total return on the Company's Common Shares, assuming reinvestment of dividends into additional Common Shares, was approximately 374% for the five-year period ended December 31, 2006. The Company's performance, as reflected in part by such total return, influenced the Compensation Committee's decisions in revising the compensation program for the Named Executive Officers for fiscal 2007. The Committee believes that the revised program should motivate the Named Executive Officers to strive for continued superior results in future years, provide an alignment of interests among the Named Executive Officers and the Company's shareholders and is competitive with executive officer compensation offered by other REITs, particularly in light of the Company's relative performance and total shareholder return.

Annual Base Salary. Effective January 1, 2007, the Compensation Committee increased the annual base salaries of the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer by approximately 7%, respectively, to \$510,000, \$375,000 and \$375,000, respectively. (The 2006 annual base salaries were \$475,000, \$350,000 and \$350,000, respectively.) The increases were based on the Compensation Committee's review described above, including consideration of a compensation study conducted by Towers Perrin. The Committee believes that it has set the Named Executive Officer annual base salaries at a level that is competitive with pay levels for executive officers in similar positions and with similar responsibilities at companies in the Company's previously-described peer groups. By making base salaries competitive, the Compensation Committee recognized the Company's superior performance over the past several years.

Annual Cash Incentive Bonus. For 2007, the Compensation Committee retained the overall structure of the annual cash incentive bonus and the relative contribution of the three components, except that the pre-selected peer group was expanded to include DiamondRock Hospitality Company. Based in part on the Towers Perrin study, and recognizing the need to remain competitive, the Compensation Committee increased the maximum annual cash incentive bonus to 200% of target levels for 2007. In addition, the target bonus levels for 2007 for the Chief Operating Officer and the Chief Financial Officer, as a percentage of annual base salary, were increased from 71% to 75%. The target bonus level for the Chief Executive Officer, as a percentage of annual base salary, remained at 100% for 2007.

Long-Term Equity Incentive Awards. The Compensation Committee made long-term equity incentive awards to the Named Executive Officers in December 2006. The December 2006 awards were intended as compensation for fiscal year 2007 and consisted of (i) immediate awards of restricted shares subject to time-based vesting only (the same type of award described in Fiscal Year 2006 Long-Term Equity Incentive Awards, and (ii) agreements to award restricted shares where the award amount is not determined until the end of a three-year measuring period. The Committee refers to the group of awards described in (ii) as performance-based restricted share awards. In the case of the performance-based restricted share awards, once the award is determined and made at the end of the three-year measuring period, two-thirds of the awarded shares remain subject to time-based vesting.

The December 2006 long-term equity incentive awards described in (i) in the paragraph immediately above included two tranches of time-based restricted shares for each of the Named Executive Officers. Mr. Bortz received tranches of 32,895 and 11,580 shares, and Messrs. Barnello and Weger each received tranches of 16,447 and 8,334 shares. The larger of each of these tranches was a special grant of restricted shares. As noted above, the new compensation program weights performance-based incentive compensation more heavily for the Named Executive Officers. The Compensation Committee created the performance-based restricted share awards described in (ii) in the paragraph immediately above in satisfaction of that component. The performance-based restricted share awards will take three years to be determined and earned plus an additional two years from that time to fully vest, if earned. The Compensation Committee determined an additional long-term equity incentive component was needed to provide competitive retention incentives during the transition from the pre-2007 compensation plan to the current one. As a result, the Compensation Committee awarded the larger, special tranche of time-based restricted shares. The second, smaller tranche is part of the Company's ongoing annual long-term equity incentive compensation program.

Performance-based restricted share awards are new to the Company's executive compensation program. After revising the program during 2006, the Compensation Committee awarded performance-based restricted share awards to the Named Executive Officers as part of fiscal year 2007 compensation. The Committee expects performance-based share awards will be part of the Company's annual long-term equity incentive compensation program in future fiscal years.

The Compensation Committee approved the performance-based restricted share awards for the Named Executive Officers as an additional long-term incentive designed to further align the Named Executive Officers' interests with that of the shareholders. To provide an additional retention incentive to the Named Executive Officers, the Compensation Committee required that the majority of any Common Shares earned as part of a performance-based restricted share award be further subject to time-based vesting for a period of time following earning the shares.

Pursuant to the December 2006 performance-based restricted share awards, the Named Executive Officers are eligible to receive the following target amounts of shares: Mr. Bortz 12,894 shares; Mr. Barnello 9,298 shares and Mr. Weger 9,298 shares. The actual number of shares received by the Named Executive Officers will depend on the Company's performance over the three-year measuring period. Based on the performance criteria described below, the Named Executive Officers may actually receive as few as zero shares or as many as twice the target number of shares. The details of the awards are as follows:

The actual amount of the award will be determined on January 1, 2010 and will depend on the total return (as defined below) of the Company's Common Shares over a three-year period beginning with the closing price of the Company's Common Shares on December 31, 2006, and ending with the closing price of the Company's Common Shares on December 31, 2009.

Forty percent of the award will be based on the Company's total return compared to the total return of all companies in the NAREIT Equity Index. As of December 31, 2006, the NAREIT Equity Index included 130 companies. The Board had originally selected the MSCI US REIT Index and replaced that index with the NAREIT Equity Index due to data availability. See Table 1 below for a tabular presentation of how the Company's total return relates to the earning of this first portion of the performance-based restricted share awards.

Another forty percent of the award will be based on the Company's total return compared to the total return of 10 lodging REITs in a designated peer group of the Company that are included in the NAREIT Equity Index. The Company's peer group for this performance measure is the same peer group described above that the Compensation Committee will use for determining the peer performance component of the annual cash incentive bonus for 2007. Also see Table 1 below for a tabular presentation of how the Company's total return relates to the earning of this second portion of the performance-based restricted share awards.

The final twenty percent of the award will be based on the amount of the Company's total return compared to a Board-established total return goal. See Table 2 below for a tabular presentation of how the Company's total return relates to the earning of this third portion of the performance-based restricted share awards.

Total return is as calculated by the NAREIT Equity Index and is the increase in the market price of a company's common shares plus dividends declared thereon and assuming such dividends are reinvested into such company's common shares. The Board of Trustees elected to use this third-party rate of return calculation because it is a performance measurement frequently used in the REIT industry and provides a means of objectively comparing the Company's performance to other REITs and to particular REITs in the index that are the most appropriate benchmarks for the Company. In the event that the NAREIT Equity Index is discontinued or materially modified, the Board of Trustees, in its discretion, may revise the award terms.

After the actual amount of the award is determined (or earned) on January 1, 2010, the earned shares will be issued and outstanding but a portion will be subject to further vesting. One-third of the earned

amount will vest immediately on January 1, 2010, and the remaining two-thirds will vest in equal amounts on January 1, 2011 and January 1, 2012.

Dividends will be deemed to have accrued on all of the earned shares, including those shares subject to further vesting, from December 31, 2006, until the determination date, January 1, 2010. Such accrued dividends will be paid to the awardee on or about January 1, 2010. Thereafter, the awardee is entitled to receive dividends as declared and paid on the earned shares and to vote the shares, including those shares subject to further vesting.

The first table below provides additional detail on the performance thresholds for the first two of the three performance criteria and the corresponding percentage earned for such criteria. The second table below provides additional detail on the performance thresholds for the third of the three performance criteria and the corresponding percentage earned for such criterion. For example, the Company's total return compared to the NAREIT Equity Index and compared to its peers must be at least equal to the 40th percentile for the Named Executive Officers to earn any of their target shares in the first two performance categories. In addition, the Committee established a threshold total return over a three-year period of 22.5%, which is based on a 7% compounded annual total return, for the Named Executive Officers to earn any of their target shares in the third performance category.

Actual performance will be calculated to an exact percent (rounded to the nearest 1/100th), so the payment for each criterion is on a continuum between the threshold amount and target amount or between the target amount and maximum amount, as applicable.

Table 1: Total Return vs. NAREIT Equity Index Companies and Total Return vs. Peer Group

	Percentile of Performance			Maximum Greater Than or Equal to 80th percentile
	Threshold	Target		
	Less than 40th percentile	40th percentile	60th percentile	
NAREIT Index	0% earned	50% earned	100% earned	200% earned
Peer Group	0% earned	50% earned	100% earned	200% earned

Table 2: Total Return vs. Committee-Established Goals

	Total Three-Year Return Performance			Maximum Greater Than or Equal to 36.8% ⁽³⁾
	Threshold	Target		
	Less Than 22.5%	22.5% ⁽¹⁾	29.5% ⁽²⁾	
Company total return	0% earned	50% earned	100% earned	200% earned

(1) Based on a 7% compounded annual total return.

(2) Based on a 9% compounded annual total return.

(3) Based on an 11% compounded annual total return.

The Committee elected to include a provision in the performance-based restricted share award agreement that accelerated the measuring period in the event of a change in control of the Company. As a condition to the acceleration of the earning period, each Named Executive Officer agreed to a 12-month limited non-compete with the Company that restricts the Named Executive Officer from participating in any business operation primarily engaged in owning (as compared to, for example, franchising or managing) luxury or upscale hotels in urban, resort or convention markets in the United States. In the event that a Named Executive Officer breaches the limited non-competition provisions, the Named Executive Officer must pay to the Company an amount equal

to the market value of that portion of the performance-based restricted share award to the Company that received accelerated earning as a result of the change in control. The 12-month period commences at the time of the change in control, and market value is the market value at the time of the change in control.

The compensation tables below reflect the December 2006 awards because, despite that they were intended as part of fiscal year 2007 compensation, the awards were made in 2006.

Stock Options. The Company has not granted any stock option awards to any of the Named Executive Officers since 2001 or any of the trustees since 2002. All stock options previously issued have vested. All vested stock options have been exercised except for 40,000 outstanding stock options held by Mr. Bortz and an aggregate of 52,000 outstanding stock options held by the Company's trustees.

Other Benefits. In addition, consistent with the philosophy of the Compensation Committee to establish individual- and Company-based performance measures, the Committee will continue to maintain competitive benefits and perquisites for Named Executive Officers; however, the Committee does not view benefits and perquisites for officers as a key component of the Company's compensation program and their total value remains a small percentage of each Named Executive Officer's base salary. The Compensation Committee may revise, amend or add to the Named Executive Officer's benefits and perquisites if it deems it advisable.

Tax Deductibility of Executive Compensation. Section 162(m) of the Code places a limit on the amount of compensation that may be deducted annually by the Company on its tax return with respect to each of its Named Executive Officers. In general, compensation paid pursuant to a plan which is performance-related, non-discretionary and has been approved by the Company's shareholders is not subject to this limit. The Company's 1998 Share Option and Incentive Plan is qualified so that performance-based restricted share awards granted to the Named Executive Officers under the plan are not subject to the compensation deduction limitations described above. Time-based awards are subject to the compensation deduction limitations. Although the Compensation Committee generally seeks to preserve the federal income tax deductibility of compensation paid, to maintain flexibility in compensating the Named Executive Officers in a manner designed to promote our corporate goals, including retaining and incentivizing the Named Executive Officers, the Compensation Committee has not adopted a policy that all compensation must be deductible. In 2006, the Company paid compensation to each Named Executive Officer that would be subject to the limitations set forth in Section 162(m).

Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Share Ownership Guidelines. On December 20, 2006, our Compensation Committee established the share ownership guidelines described in the table below. The Compensation Committee believes that requiring the Named Executive Officers to maintain a meaningful ownership interest in the Company relative to their annual base salaries may encourage the Named Executive Officers to act in a manner that creates value for the Company's shareholders.

Position	Multiple
Chief Executive Officer	5x Base Salary
Chief Operating Officer and Chief Financial Officer	3x Base Salary

Shares of restricted stock that remain subject to time vesting issued pursuant to the 1998 Share Option and Incentive Plan count toward the suggested stock ownership guidelines. Performance-based restricted share awards that have not been earned will not count toward the recommended levels. All Named Executive Officers met the share ownership guidelines as of February 14, 2007.

Summary Compensation Table

The following table sets forth the information required by Item 402 of Regulation S-K promulgated by the Securities and Exchange Commission. The amounts shown represent the compensation paid to our Named Executive Officers for the year ended December 31, 2006, for services rendered to us.

With respect to long-term equity incentive awards, the dollar amounts indicated in the table are the compensation expense incurred in 2006 related to such long-term equity incentive awards, as calculated pursuant to FAS 123R. For example, the amounts shown in the Share Awards column indicate the fiscal year 2006 amortization, in accordance with the applicable accounting literature, of all outstanding awards. Such amortization includes amortization of awards made in earlier years and amortization of awards made in 2006. The full grant date fair values of the long-term equity incentive awards made in 2006 are indicated in the last column of the Grants of Plan-Based Awards table below.

Name and Principal Position	Share		Non-Equity Incentive Plan Compensation ⁽²⁾	All Other Compensation ⁽¹⁾	Total
	Salary	Awards ⁽¹⁾			
Jon E. Bortz Chairman of the Board, President and Chief Executive Officer	\$ 475,000	\$ 516,377	TBD	\$ 110,636 ⁽³⁾	TBD
Michael D. Barnello, Chief Operating Officer and Executive Vice President of Acquisitions	350,000	369,268	TBD	95,443 ⁽⁴⁾	TBD
Hans S. Weger Chief Financial Officer and Executive Vice President, Treasurer and Secretary	350,000	352,616	TBD	77,737 ⁽⁵⁾	TBD

- (1) For more information regarding the Company's assumptions made in the valuation of restricted Common Shares and performance-based restricted shares, see note 11 to the financial statements included in the Company's Form 10-K for the period ended December 31, 2006.
- (2) The amounts to be shown in the Non-Equity Incentive Plan Compensation column are the amounts of the 2006 annual cash incentive bonuses, which have not been determined by the Compensation Committee at the time of mailing this proxy statement. We expect the amounts to be shown in the Non-Equity Incentive Plan Compensation column will be determined by the end of the first quarter of 2007, and we will then disclose such amounts on a Current Report on Form 8-K.
- (3) All Other compensation consists of (i) \$4,230 in amortization costs, pursuant to FAS 123R, related to performance-based restricted shares granted on December 20, 2006, (ii) Company-paid life insurance premiums, (iii) Company-paid long-term disability insurance premiums, (iv) employer matching contributions to the Company's 401(k) and (v) \$88,820 in dividends earned on unvested restricted stock.
- (4) All Other compensation consists of (i) \$3,050 in amortization costs, pursuant to FAS 123R, related to performance-based restricted shares granted on December 20, 2006, (ii) Company-paid life insurance premiums (iii) Company-paid long-term disability insurance premiums, (iv) employer matching contributions to the Company's 401(k), (v) \$61,666 in dividends earned on unvested restricted stock and (vi) a \$13,963 in fees related to membership in the Young Presidents' Organization.
- (5) All Other compensation consists of (i) \$3,050 in amortization costs, pursuant to FAS 123R, related to performance-based restricted shares granted on December 20, 2006, (ii) Company-paid life insurance premiums (iii) Company-paid long-term disability insurance premiums, (iv) employer matching contributions to the Company's 401(k) and (v) \$65,490 in dividends earned on unvested restricted stock.

Grants of Plan-Based Awards

The following table sets forth information with respect to plan-based restricted stock awards granted in 2006 to the Named Executive Officers, including grants made in 2006 with respect to fiscal year 2007. The dollar amounts indicated under the Grant Date Fair Value is the full fair value of each grant, in accordance with the applicable accounting literature, which is greater than the amortization costs the Company recognized on its fiscal year 2006 financial statements with respect to such grant.

Name	Date of Grant	Estimated Future Payouts Under Equity Incentive Plan Awards			Number of Shares of Stock	Grant Date Fair Value
		(in number of shares) ⁽¹⁾				
		Threshold	Target	Maximum		
All Other						
Stock Awards:						
Jon E. Bortz	January 27, 2006				14,241	\$ 549,987
Time-Based ⁽²⁾	December 20, 2006				32,895	1,500,012
Time-Based ⁽²⁾	December 20, 2006				11,580	528,048
Performance-Based	December 20, 2006	6,447	12,894	25,788		638,698
Michael D. Barnello	January 27, 2006				10,875	419,993
Time-Based ⁽²⁾	December 20, 2006				16,447	749,983
Time-Based ⁽²⁾	December 20, 2006				8,334	380,030
Performance-Based	December 20, 2006	4,649	9,298	18,596		460,564
Hans S. Weger	January 27, 2006				9,581	370,018
Time-Based ⁽²⁾	December 20, 2006				16,447	749,983
Time-Based ⁽²⁾	December 20, 2006				8,334	380,030
Performance-Based	December 20, 2006	4,649	9,298	18,596		460,564

(1) The actual amount of the award will be determined on January 1, 2010 and will depend on the total return of the Company's Common Shares over a three-year period beginning with the closing price of the Company's common stock on December 31, 2006, and ending with the closing price of the Company's common stock on December 31, 2009. For more information regarding the performance criteria for these awards to the Named Executive Officers, see Compensation Discussion and Analysis Components and Criteria of Executive Compensation Performance-Based Stock Awards.

(2) These shares will vest one-third on January 1, 2008 and one-third on each of the next two anniversaries of that date. For additional information, see Compensation Discussion and Analysis.

Option Exercises and Stock Vested

The Company has not granted stock option awards with respect to a fiscal year after 2001. Certain trustees received options in 2002 that related to fiscal year 2001. No other options were granted in 2002 or any subsequent year. The following table sets forth information with respect to the exercise of stock options and vesting of restricted stock by the Named Executive Officers during 2006:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise ⁽¹⁾	Number of Shares Acquired on Vesting	Value Realized on Vesting ⁽²⁾
Jon E. Bortz	23,099	\$ 816,922	34,128	\$ 1,253,180
Michael D. Barnello	14,484	452,922	23,518	863,581

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<u>Hans S. Weger</u>	14,484	452,922	23,518	863,581
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- (1) Represents the net aggregate value to each Named Executive Officer upon exercise. The exercise price for all options exercised in 2006 was \$8.55.
- (2) The shares vested on January 1, 2006 based on the Company's Common Share closing price of \$36.72 on December 30, 2005.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to outstanding equity awards held by the Named Executive Officers as of December 31, 2006. The aggregate dollar values indicated in the table below for equity incentive plan awards are the market or payout values and not the FAS 123R values or the compensation expense recognized by the Company on its financial statements for fiscal year 2006 with respect to its long-term equity incentive plan awards. Such compensation expenses amounts, or the amortization pursuant to the applicable accounting literature, is provided in the Summary Compensation Table and the table under Grants of Plan Based Awards above.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares of Other Rights That Have Not Vested ⁽⁴⁾
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares of Stock That Have Not Vested ⁽¹⁾	Market Value of Shares of Stock That Have Not Vested ⁽²⁾	Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights That Have Not Vested ⁽³⁾	
Jon E. Bortz	40,000		\$ 8.55	11/1/2011	101,601	\$ 4,658,406	12,894	\$ 591,190
Michael D. Barnello					67,035	3,073,555	9,298	426,313
Hans S. Weger					64,105	2,939,214	9,298	426,313

- (1) Restricted Stock Awards were granted on October 20, 2003, based upon the closing market price of the Company's Common Shares on that date of \$18.10. Mr. Bortz received two tranches each of 26,519 restricted Common Shares, Mr. Barnello received two tranches each of 18,287 restricted Common Shares and Mr. Weger received two tranches each of 18,287 restricted Common Shares. For each of these Named Executive Officers, one tranche of these restricted Common Shares vests in three equal annual installments beginning on January 1, 2005 and the other tranche of these restricted Common Shares vests in three equal annual installments beginning on January 1, 2006. Additional Restricted Stock Awards were granted on January 25, 2005 based upon the closing market price of the Company's Common Shares on that date of \$30.55. Mr. Bortz received 16,367 restricted Common Shares, Mr. Barnello received 13,093 restricted Common Shares and Mr. Weger received 11,457 restricted Common Shares. For each of these Named Executive Officers, these restricted Common Shares vest in three equal annual installments beginning on January 1, 2007. Additional restricted stock awards were granted on January 27, 2006 based upon the closing market price of the Company's Common Shares on that date of \$38.62. Mr. Bortz received 14,241 restricted Common Shares, Mr. Barnello received 10,875 restricted Common Shares and Mr. Weger received 9,581 restricted Common Shares. For each of the Named Executive Officers, these restricted Common Shares vest in three equal installments beginning on January 1, 2008. Additional Restricted Stock Awards were granted on December 20, 2006 based upon the closing market price of the Company's Common Shares on that date of \$45.60. Mr. Bortz received two tranches of restricted Common Shares of 32,895 and 11,580, and Messrs. Barnello and Weger each received two tranches of restricted Common Shares of 16,447 and 8,334. For each of these Named Executive Officers, these restricted Common Shares vest in three equal annual installments beginning on January 1, 2008. All Restricted Stock Awards were granted pursuant to the Company's 1998 Share Option and Incentive Plan. Dividends are paid on the restricted Common Shares.
- (2) Based on the Company's common stock closing price of \$45.85 on December 31, 2006.
- (3) On December 20, 2006, the Named Executive Officers were granted performance-based restricted shares in target amounts of 12,894 shares to Mr. Bortz and 9,298 shares to each of Messrs. Barnello and Weger. For more information regarding the performance criteria for certain restricted shares awarded to the Named Executive Officers, see Compensation Discussion and Analysis Components and Criteria of Executive Compensation Long-Term Equity Incentive Awards.
- (4) Based on the Company's common stock closing price of \$45.85 on December 31, 2006 and assumes that the Named Executive Officers earn the target amounts of performance-based restricted stock awards.

Equity Compensation Plan Information

The following table summarizes information, as of December 31, 2006 relating to equity compensation plans of the Company pursuant to which grants of options, restricted stock, restricted stock units or other rights to acquire shares may be granted from time to time.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans⁽¹⁾
Equity compensation plans approved by security holders ⁽²⁾	132,888 ⁽³⁾	\$ 12.59 ⁽⁴⁾	900,556
Equity compensation plans not approved by security holders ⁽⁵⁾	None	None	None
Total	132,888	\$ 12.59	900,556

(1) The amounts indicated in this column exclude securities listed in the column titled "Number of securities to be issued upon exercise of outstanding options, warrants and rights."

(2) The 1998 Share Option and Incentive Plan.

(3) Includes 40,888 Deferred Shares and 92,000 stock options.

(4) The exercise price is the weighted-average exercise price of the outstanding options, warrants and rights described in the column to the left, excluding all Deferred Shares, which have no exercise price.

(5) The Company does not have any equity compensation plans that have not been approved by its shareholders.

Severance Agreements

The Company previously entered into an agreement with each of its Named Executive Officers to provide benefits to each in the event his employment is terminated in certain circumstances. The Compensation Committee reviews the terms of the three severance agreements annually. As described in more detail below, because each Named Executive Officer's severance payment is derived from his annual base salary and other annual incentive compensation, the effect on severance payments is one of the factors considered by the Compensation Committee when annually reviewing the Named Executive Officer's total compensation and severance agreement terms.

Severance Agreement of Mr. Bortz. Mr. Bortz's agreement became effective on January 1, 2002 for an initial term of three years; provided, however, that each term is automatically extended at the end of such term for a successive one-year term unless, not less than six months prior to the termination of the then existing term, the Board of Trustees provides notice to Mr. Bortz of its intent not to extend the term further. Mr. Bortz may terminate the agreement prior to the expiration of the term as described below.

Termination in Connection with a Change in Control. Upon 15 days prior written notice to the Company, Mr. Bortz may terminate his employment for "good reason." The agreement provides that upon the termination of Mr. Bortz either by the Company without "cause" or by Mr. Bortz for "good reason" within one year of a change in control of the Company, Mr. Bortz will be entitled to the following severance payments and benefits:

annual base salary, annual cash incentive bonus and accrued vacation time earned but not paid to the date of termination;

a lump sum cash payment equal to the product of three times the sum of (x) Mr. Bortz's then current annual base salary, plus (y) the average of the annual cash incentive bonuses paid to Mr. Bortz with respect to the three most recent fiscal years ending before the date of termination; and

such other or additional benefits, if any, as are provided under applicable plans, programs and/or arrangements of the Company (including accelerated vesting of equity awards as discussed below under "Vesting of Long-Term Equity Incentive Awards").

Termination without Cause. If Mr. Bortz is terminated without cause and not in connection with or within one year of a change in control of the Company, Mr. Bortz will be entitled to the following severance payments and benefits:

annual base salary, annual cash incentive bonus and accrued vacation time earned but not paid to the date of termination;

a lump sum cash payment equal to the sum of (x) Mr. Bortz's then current annual base salary, plus (y) the average of the annual cash incentive bonuses paid to Mr. Bortz with respect to the three most recent fiscal years ending before the date of termination; and

such other or additional benefits, if any, as are provided under applicable plans, programs and/or arrangements of the Company (including accelerated vesting of equity awards as discussed below under "Vesting of Long-Term Equity Incentive Awards").

Termination without Good Reason. If Mr. Bortz voluntarily terminates his employment without good reason, Mr. Bortz will be entitled to the following severance payments and benefits:

annual base salary, annual cash incentive bonus and accrued vacation time earned but not paid to the date of termination; and

such other or additional benefits, if any, as are provided under applicable plans, programs and/or arrangements of the Company (including accelerated vesting of equity awards as discussed below under "Vesting of Long-Term Equity Incentive Awards").

Severance Agreements for Messrs. Barnello and Weger. The severance agreements entered into by Messrs. Barnello and Weger also became effective on January 1, 2002 each for an initial term of three years; provided, however, that each agreement's term is automatically extended at the end of such term for a successive one-year term unless, not less than six months prior to the termination of the then existing term, the Board of Trustees provides notice to Messrs. Barnello or Weger, respectively, of its intent not to extend the term further. Each of Messrs. Barnello and Weger may terminate the agreement prior to the expiration of the term as described below.

Termination in Connection with a Change in Control. Upon 15 days prior written notice to the Company, each of Messrs. Barnello and Weger may terminate his employment for good reason. Each of their agreements provides that upon the termination of such Named Executive Officer either by the Company without cause or by the Named Executive Officer for good reason within one year of a change in control of the Company, Messrs. Barnello or Weger, as applicable, will be entitled to the following severance payments and benefits:

annual base salary, annual cash incentive bonus and accrued vacation time earned but not paid to the date of termination;

a lump sum cash payment equal to the product of two times the sum of (x) such Named Executive Officer's then current annual base salary, plus (y) the average of the annual cash incentive bonuses paid to such Named Executive Officer with respect to the three most recent fiscal years ending before the date of termination; and

such other or additional benefits, if any, as are provided under applicable plans, programs and/or arrangements of the Company (including accelerated vesting of equity awards as discussed below under "Vesting of Long-Term Equity Incentive Awards").

Termination without Cause. If either of Messrs. Barnello or Weger is terminated without cause and not in connection with or within one year of a change in control of the Company, such Named Executive Officer will be entitled to the following severance payments and benefits:

annual base salary, annual cash incentive bonus and accrued vacation time earned but not paid to the date of termination;

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a lump sum cash payment equal to the sum of (x) such Named Executive Officer's then current annual base salary, plus (y) one half of the average of the annual cash incentive bonuses paid to such Named

Executive Officer with respect to the three most recent fiscal years ending before the date of termination; and

such other or additional benefits, if any, as are provided under applicable plans, programs and/or arrangements of the Company (including accelerated vesting of equity awards as discussed below under "Vesting of Long-Term Equity Incentive Awards").

Termination without Good Reason. If either of Messrs. Barnello or Weger voluntarily terminates his employment without good reason, such Named Executive Officer will be entitled to the following severance payments and benefits:

his annual base salary, annual cash incentive bonus and accrued vacation time earned but not paid to the date of termination; and

such other or additional benefits, if any, as are provided under applicable plans, programs and/or arrangements of the Company (including accelerated vesting of equity awards as discussed below under "Vesting of Long-Term Equity Incentive Awards").

Other key severance agreement terms. As a condition of any severance payment and related benefits described above, each of Messrs. Bortz, Barnello and Weger has agreed to a general release of any and all claims relating to the Named Executive Officer's employment. In addition, each has agreed, for a one-year period, not to solicit, hire or recruit employees or trustees of the Company either directly or indirectly for his own account or for another party.

Under the terms of each of their severance agreements, Messrs. Bortz, Barnello and Weger are entitled to a tax gross-up payment under certain conditions in the event that their employment is terminated in connection with a change in control.

Below are a list of terms and their meanings as defined in each Named Executive Officer's severance agreement:

Cause shall mean that the Board concludes, in good faith and after reasonable investigation, that:

the Named Executive Officer is accused of engaging in conduct which is a felony under the laws of the United States or any state or political subdivision thereof;

the Named Executive Officer Executive engaged in conduct relating to the Company constituting material breach of fiduciary duty, willful misconduct (including acts of employment discrimination or sexual harassment) or fraud;

the Named Executive Officer breached the non-solicitation covenant contained in his severance agreement in any material respect; or

the Named Executive Officer materially failed to follow a proper directive of the Board (or, with respect to Messrs. Barnello and Weger, the President) of the Company within the scope of the Named Executive Officer's duties (which shall be capable of being performed by the Named Executive Officer with reasonable effort) after written notice from the Board (or, with respect to Messrs. Barnello and Weger, the President) specifying the performance required and the Named Executive Officer's failure to perform within 30 days after such notice. No act, or failure to act, on the Named Executive Officer's part shall be deemed willful unless done, or omitted to be done, by the Named Executive Officer not in good faith or if the result thereof would be unethical or illegal.

Change in Control shall mean a change in control of the Company which will be deemed to have occurred after the date hereof if:

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any person as such term is used in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as modified and used in Sections 13(d) and 14(d) thereof except

that such term shall not include (A) the Company or any of its subsidiaries, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, (D) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company's common shares, or (E) any person or group as used in Rule 13d-1(b) under the Exchange Act, is or becomes the Beneficial Owner, as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power or common shares of the Company;

during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new Trustee (other than (A) a trustee designated by a person who has entered into an agreement with the Company to effect a transaction described in these bullets or (B) a trustee whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of trustees of the Company) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the trustees then still in office who either were trustees at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, more than 50% of the combined voting power and common shares of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect) other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than 50% of the combined voting power and common shares of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the common shares of the Company immediately prior to such sale.

Good Reason shall mean the occurrence, without the Named Executive Officer's prior written consent, of any of the following in connection with or within one year after a Change in Control:

any reduction of the Named Executive Officer's base salary or target bonus percentage or any material reduction in any benefits;

any material adverse change in the Named Executive Officer's duties or responsibilities, including assignment of duties inconsistent with the position held prior to a Change of Control, significant adverse alteration in the nature or status of responsibilities or the conditions of employment prior to a Change of Control or any material diminution in position, authority, title, duties or responsibilities;

any material adverse change in the Named Executive Officer's reporting relationship;

the Company ceases to be a reporting Company under Section 12 of the Exchange Act;

the relocation of the Named Executive Officer's principal place of performance outside of the Washington, D.C. metropolitan area;

Company's failure to obtain satisfactory agreement from any successor to assume and agree to perform this agreement; and

continuation or repetition, after written notice of objection from the Named Executive Officer, of harassing or denigrating treatment inconsistent with his position with the Company.

Vesting of Long-Term Equity Incentive Awards

The terms of the time-based share award agreements granted to the Named Executive Officers generally provide that:

Upon a change in control of the Company, the unvested shares vest.

Upon termination of the Named Executive Officer's employment with the Company by the Company without cause, the unvested shares vest.

Upon termination of the Named Executive Officer's employment with the Company because of the Named Executive Officer's death or disability, the unvested shares vest.

Upon termination of the Named Executive Officer's employment with the Company by the Company for cause, the unvested shares are forfeited.

The time-based share award agreements do not provide for acceleration of the unvested shares in the event the Named Executive Officer terminates his employment with the Company, for good reason or otherwise.

The terms of the performance-based restricted share award agreements granted to the Named Executive Officers generally provide that:

In the event of a Named Executive Officer's death or disability during the earning period of the award agreement (which period normally runs from December 31, 2006 to December 31, 2009), his performance-based restricted share awards will be measured early, as of the date of death or disability (with the measuring period and cumulative return goals reduced accordingly), and all earned shares and deferred dividends thereon will vest immediately and be paid promptly thereafter, except that the number of shares subject to the award will be reduced pro rata, based on the amount of time elapsed in the measuring period compared to the full, original measuring period.

In the event of a change in control in the Company during the earning period of the award agreement, the award will be measured as of the date of the change in control (with the measuring period and cumulative return goals reduced accordingly) and all earned shares and deferred dividends thereon will vest immediately and be paid promptly thereafter. The amount of the awards will not be pro rated as in the case of death or disability.

In the event the Company terminates a Named Executive Officer's employment with the Company for cause, or the Named Executive Officer terminates his employment with the Company without good reason, all unearned or unvested shares under the award agreement are forfeited.

In the event that the Company terminates a Named Executive Officer's employment with the Company without cause, or a Named Executive Officer terminates his employment with the Company for good reason, the performance-award will be measured early, as of the date of termination (with the measuring period and cumulative return goals reduced accordingly), and all earned shares and deferred dividends thereon shall vest immediately and be paid promptly thereafter, except that the number of shares subject to the award will be reduced pro rata, based on the amount of time elapsed in the measuring period compared to the full, original measuring period.

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For purposes of the time-based and performance-based restricted share award agreements, the definitions of "cause," "good reason" and "change in control" are similar but not identical to the definitions contained in the

severance agreements of the Named Executive Officers. For example, the definition of "good reason" for purposes of the award agreements does not include any requirement of a change in control. In addition, the definition of "change in control" for purposes of the award agreements includes mergers and consolidations where the outstanding securities of the Company represent less than 75% of the combined voting power of the Company or surviving entity after the merger or consolidation and includes a sale of substantially all of the assets of the Company to an entity in which the Company's shareholders own less than 75% of the combined voting power in substantially the same proportions as their Company ownership before the sale.

Severance Payments, including Long-Term Equity Incentive Award Vesting

The tables on the following pages provide substantially the same information as presented in the narratives above under "Severance Agreements and Vesting of Long-Term Equity Incentive Awards." The tables indicate the cash amounts, accelerated vesting and other payments and benefits that the Named Executive Officers would be entitled to under various circumstances pursuant to the terms of the 1998 Share Option and Incentive Plan, the agreements governing awards made under the 1998 Share Option and Incentive Plan, the severance agreements of the Named Executive Officers and the Company's retirement policies. The first table describes whether, for each category identified, the Named Executive Officer is entitled to a payment, vesting or other benefit in that category. The second table provides the estimated amount or value of the payment, vesting or other benefit. In all cases, each Named Executive Officer is entitled to a cash payment consisting of his salary, bonus and cash equivalent of vacation time earned but not paid as of the termination date.

Each of the following tables assumes that separation occurs on December 31, 2006. For example, the tables below do not take into account the annual base salary and cash incentive target bonus increases to be effective January 1, 2007.

In addition, if separation were to have occurred on December 31, 2006, as assumed in accordance with SEC regulations, no amounts would be payable with respect to the performance-share awards because the three-year measuring period commenced with the Company's closing price per Common Share on December 31, 2006. Accordingly, no amounts are indicated in the second table ("Estimated Termination Payment") as being earned or paid with respect to the performance-based restricted share awards.

Termination Payment Events

	Cash Payment ⁽¹⁾	Vesting of Time-Based Restricted Shares	Vesting of Performance- Based Restricted Shares	Dividends Awarded on Performance- Based Restricted Shares	Excise Tax Gross- Up Payments ⁽²⁾
<u>Without Change in Control</u>					
Termination by Company With Cause					
Jon E. Bortz	None	No	No	No	No
Michael D. Barnello	None	No	No	No	No
Hans S. Weger	None	No	No	No	No
Termination by Company Without Cause					
Jon E. Bortz	1-times salary 1-times bonus ⁽³⁾	Yes	Yes	Yes ⁽⁴⁾	No
Michael D. Barnello	1-times salary 0.5-times bonus ⁽³⁾	Yes	Yes	Yes ⁽⁴⁾	No
Hans S. Weger	1-times salary 0.5-times bonus ⁽³⁾	Yes	Yes	Yes ⁽⁴⁾	No
Termination by Employee With Good Reason					
Jon E. Bortz	None	No	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Michael D. Barnello	None	No	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Hans S. Weger	None	No	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Termination by Employee Without Good Reason					
Jon E. Bortz	None	No	No	No	No
Michael D. Barnello	None	No	No	No	No
Hans S. Weger	None	No	No	No	No

Termination Payment Events

	Cash Payment ⁽¹⁾	Vesting of Time-Based Restricted Shares	Vesting of Performance- Based Restricted Shares	Dividends Awarded on Performance- Based Restricted Shares	Excise Tax Gross- Up Payments ⁽²⁾
<u>With Change in Control</u>					
Termination by Company With Cause					
Jon E. Bortz	None	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Michael D. Barnello	None	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Hans S. Weger	None	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Termination by Company Without Cause					
Jon E. Bortz	3-times salary 3-times bonus ⁽³⁾	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Michael D. Barnello	2-times salary 2-times bonus ⁽³⁾	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Hans S. Weger	2-times salary 2-times bonus ⁽³⁾	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Termination by Employee With Good Reason					
Jon E. Bortz	3-times salary 3-times bonus ⁽³⁾	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Michael D. Barnello	2-times salary 2-times bonus ⁽³⁾	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Hans S. Weger	2-times salary 2-times bonus ⁽³⁾	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Termination by Employee Without Good Reason					
Jon E. Bortz	None	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Michael D. Barnello	None	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes
Hans S. Weger	None	Yes	Yes ⁽⁶⁾	Yes ⁽⁴⁾	Yes

Termination Payment Events

	Cash Payment ⁽¹⁾	Vesting of Time-Based Restricted Shares	Vesting of Performance- Based Restricted Shares	Dividends Awarded on Performance- Based Restricted Shares	Excise Tax Gross- Up Payments ⁽²⁾
<u>With or Without Change in Control</u>					
Death					
Jon E. Bortz	None ⁽⁷⁾	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Michael D. Barnello	None ⁽⁷⁾	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Hans S. Weger	None ⁽⁷⁾	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Disability					
Jon E. Bortz	None ⁽⁷⁾	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Michael D. Barnello	None ⁽⁷⁾	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Hans S. Weger	None ⁽⁷⁾	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Retirement					
Jon E. Bortz	None	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Michael D. Barnello	None	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No
Hans S. Weger	None	Yes	Yes ⁽⁵⁾	Yes ⁽⁴⁾	No

- (1) Each Named Executive Officer is also paid his salary, annual cash incentive bonus and the cash equivalent vacation time earned but not paid as of the termination date.
- (2) Represents a payment by the Company to each Named Executive Officer in an amount equal to the federal excise tax on qualifying termination compensation (the Excise Tax Payment) plus all federal, state and local income taxes payable with respect to the Excise Tax Payment. Assuming a termination date of December 31, 2006, no Excise Tax Payments would be made to the Named Executive Officers.
- (3) Based on the average of the annual cash incentive bonuses paid for the three most recent fiscal years.
- (4) Dividends are paid on all performance-based restricted shares awarded (that is, when earned) as if such shares were outstanding since the day the applicable award agreement was granted.
- (5) Shares that have been awarded but that have not time vested will vest.
In the event that death or disability occurs before the end of the normal three-year measuring period, the measuring period is shortened to the date of the death or disability. The number of target shares underlying the award are reduced pro rata (based on the shortened measuring period) and performance is then measured, with an appropriate adjustment to the performance thresholds to account for the shortened measuring period, and fully-vested shares are awarded accordingly.
- In the event that retirement occurs before the end of the normal three-year measuring period, the measuring period is shortened to the date of the death or disability. The number of target shares underlying the award remains the same and are not reduced. Performance is then measured, with an appropriate adjustment to the performance thresholds to account for the shortened measuring period, and fully-vested shares are awarded accordingly.
- (6) Assumes the change in control occurred before the Named Executive Officer's separation from the Company. Upon a change in control, shares that have been awarded but that have not time vested will immediately vest. In the event that the change in control occurs before the end of the normal three-year measuring period, the measuring period is shortened to the date of the change in control. Performance is then measured, with an appropriate adjustment to the performance thresholds to account for the shortened measuring period, and fully-vested shares are awarded accordingly.
- (7) Each Named Executive Officer receives benefits per life insurance policies and disability policies.

Estimated Termination Payments (in dollars)

	Cash Payment ⁽¹⁾	Time-based Restricted Shares	Performance- based Restricted Shares	Dividends Awarded on Restricted Shares ⁽²⁾	Excise Tax Gross- Up Payments	Total
<u>Without Change in Control</u>						
Termination by Company With Cause						
Jon E. Bortz						
Michael D. Barnello						
Hans S. Weger						
Termination by Company Without Cause						
Jon E. Bortz	952,445	3,597,666				4,550,111
Michael D. Barnello	476,063	2,314,462				2,790,525
Hans S. Weger	476,063	2,205,156				2,681,219
Termination by Employee With Good Reason						
Jon E. Bortz						
Michael D. Barnello						
Hans S. Weger						
Termination by Employee Without Good Reason						
Jon E. Bortz						
Michael D. Barnello						
Hans S. Weger						
<u>With Change in Control⁽³⁾</u>						
Termination by Company With Cause						
Jon E. Bortz		3,597,666				3,597,666
Michael D. Barnello		2,314,462				2,314,462
Hans S. Weger		2,205,156				2,205,156
Termination by Company Without Cause						
Jon E. Bortz	2,857,335	3,597,666				6,445,001
Michael D. Barnello	1,204,253	2,314,462				3,518,715
Hans S. Weger	1,204,253	2,205,156				3,409,409
Termination by Employee With Good Reason						
Jon E. Bortz	2,857,335	3,597,666				6,445,001
Michael D. Barnello	1,204,253	2,314,462				3,518,715
Hans S. Weger	1,204,253	2,205,156				3,409,409
Termination by Employee Without Good Reason						
Jon E. Bortz		3,597,666				3,597,666
Michael D. Barnello		2,314,462				2,314,462
Hans S. Weger		2,205,156				2,205,156

Estimated Termination Payments (in dollars)

	Cash Payment ⁽¹⁾	Time-based Restricted Shares	Performance- based Restricted Shares	Dividends Awarded on Restricted Shares ⁽²⁾	Excise Tax Gross- Up Payments	Total
<u>With or Without Change in Control</u>						
Death						
Jon E. Bortz		3,597,666				3,597,666
Michael D. Barnello		2,314,462				2,314,462
Hans S. Weger		2,205,156				2,205,156
Disability						
Jon E. Bortz		3,597,666				3,597,666
Michael D. Barnello		2,314,462				2,314,462
Hans S. Weger		2,205,156				2,205,156
Retirement						
Jon E. Bortz		3,597,666				3,597,666
Michael D. Barnello		2,314,462				2,314,462
Hans S. Weger		2,205,156				2,205,156

(1) Each Named Executive Officer is also paid his salary, annual cash incentive bonus and the cash equivalent vacation time earned but not paid as of the termination date.

(2) Because the table assumes that the change in control occurred on December 31, 2006, no dividends would have been paid on any of the performance-based restricted shares.

(3) Assumes that a change in control of the Company occurred on December 31, 2006.

Cash Stay Bonus Following a Change in Control

If a Named Executive Officer remains employed by the Company on the first anniversary of a change in control event, the Named Executive Officer is entitled to receive a lump sum cash stay bonus. For Mr. Bortz, the cash stay bonus is equal to the sum of Mr. Bortz's base salary plus the average of the annual cash bonuses paid to Mr. Bortz with respect to the three most recent fiscal years. Based on Mr. Bortz's 2006 base salary and his average annual cash incentive bonus earned during 2004, 2005 and 2006 (using the target bonus for 2006, because the actual bonus for 2006 has not yet been determined), Mr. Bortz's cash stay bonus would be equal to \$898,278.

For each of Messrs. Barnello and Weger, the cash stay bonus is equal to one half of the sum of (x) such Named Executive Officer's base salary, plus (y) the average of the annual cash bonuses paid to such Named Executive Officer with respect to the three most recent fiscal years. Based on their 2006 base salaries and one half of the average of their annual cash incentive bonuses earned during 2004, 2005 and 2006 (using the target bonuses for 2006, because the actual bonuses for 2006 have not yet been determined), Messrs. Barnello and Weger would each be entitled to a \$320,064 cash stay bonus.

Retirement Policy

In January 2007, the Board of Trustees implemented a retirement policy for Named Executive Officers. The policy, which is effective immediately, is designed to reward years of dedication and service to the Company. Under the new policy, all previously-granted equity awards to a Named Executive Officer who is at least 60 years old and who has served the Company at least 20 years will immediately vest. Performance-based awards will be measured as of the retirement date (with the measuring period and cumulative return goals reduced accordingly).

None of the Company's Named Executive Officers has met the age or service requirements to be eligible for benefits under this policy.

COMPENSATION COMMITTEE REPORT

The following is a report by the Company's Compensation Committee regarding the Company's executive officer compensation program.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement (CD&A) with management of the Company. Based on the Compensation Committee's review of the CD&A and the Committee's discussions of the CD&A with management, the Compensation Committee recommended to the Board of Trustees (and the Board has approved) that the CD&A be included in the Company's proxy statement on Schedule 14A prepared in connection with the Annual Meeting.

Submitted by the Compensation Committee of the Board of Trustees

Donald A. Washburn (Chairman)

Kelly L. Kuhn

William S. McCalmont

Donald S. Perkins

PRINCIPAL AND MANAGEMENT SHAREHOLDERS

The following table sets forth the beneficial ownership of Common Shares for (i) each shareholder of the Company that is known to the Company to be the beneficial owner of more than 5% of the Company's Common Shares based upon filings made with the SEC, (ii) each Named Executive Officer of the Company and (iii) the trustees and the Named Executive Officers of the Company as a group as of February 14, 2007, unless indicated otherwise below. None of the Named Executive Officers has pledged any of their shares of Common Stock as collateral. Share ownership of the trustees of the Company appears under the heading "Information Regarding the Nominees and Continuing Trustees" in this Proxy Statement.

Name of Beneficial Owner	Common Shares Beneficially Owned ⁽¹⁾	
	Number	Percent of Total
T. Rowe Price Associates, Inc. ⁽²⁾	3,497,590	8.70%
Barclays Global Investors, NA and affiliates ⁽³⁾	2,481,757	6.21%
The Vanguard Group, Inc. ⁽⁴⁾	2,387,364	5.97%
Jon E. Bortz ⁽⁵⁾⁽⁶⁾	147,302	*
Michael D. Barnello ⁽⁵⁾	61,664	*
Hans S. Weger ⁽⁵⁾	58,906	*
All trustees and the executive officers as a group (9 persons) ⁽⁷⁾	443,257	1.10%

* Less than one percent.

- (1) The number of Common Shares beneficially owned is reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities.
- (2) The business address for this shareholder is 100 East Pratt Street, Baltimore, Maryland 21202. According to a Schedule 13G filed with the SEC on February 13, 2007, T. Rowe Price Associates, Inc. ("Price Associates") has sole voting power with respect to 883,490 of these Common Shares and sole dispositive power with respect to all of these Common Shares. Price Associates expressly disclaims that it is, in fact, the beneficial owner of these Common Shares. The Board granted a waiver to Price Associates to acquire up to 13% of the Company's Common Shares.
- (3) The business address for this shareholder and its affiliates is 45 Fremont Street, San Francisco, California 94105. According to a Schedule 13G filed with the SEC on January 23, 2007, this shareholder and its affiliates have sole voting power with respect to 2,327,815 of these Common Shares and sole dispositive power with respect to all of these Common Shares.
- (4) The business address for this shareholder is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. According to a Schedule 13G filed with the SEC, on February 14, 2007, this shareholder has sole voting power with respect to 67,739 of these Common Shares and sole dispositive power with respect to all of these Common Shares.
- (5) The business address for this shareholder is 3 Bethesda Metro Center, Suite 1200, Bethesda, Maryland 20814.
- (6) The number of Common Shares beneficially owned by Mr. Bortz includes 40,000 Common Shares for which he has the right to acquire pursuant to vested stock options.
- (7) Includes shares that the executive officers or trustees have the right to acquire through the exercise of outstanding options or the redemption of units in LaSalle Hotel Properties, L.P. For more information, see footnote 4 of the table appearing on page 3 of this proxy statement.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act requires the Company's executive officers and trustees, and persons who own more than 10% of a registered class of the Company's equity securities (10% Holders), to file reports of ownership and changes in ownership with the SEC. Officers, trustees and 10% Holders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file. To the Company's knowledge, except for one late report filed one day late by each of Messrs. Bortz, Barnello and Weger reporting the receipt of long-term equity incentive awards from the Company, based solely on review of the copies of such reports furnished to the Company, or written representations from reporting persons that all reportable transactions were reported, the Company believes that during the fiscal year ended December 31, 2006 the executive officers, trustees and 10% Holders timely filed all reports they were required to file under Section 16(a).

PROPOSAL 3: TO AMEND THE AMENDED AND RESTATED DECLARATION OF TRUST TO INCREASE THE NUMBER OF AUTHORIZED COMMON AND PREFERRED SHARES OF BENEFICIAL INTEREST THAT THE COMPANY HAS THE AUTHORITY TO ISSUE

Our Board of Trustees has approved, deems advisable and recommends that our shareholders vote in favor of, an amendment to Article VI, Section 6.1 of the Amended and Restated Declaration of Trust increasing the authorized shares from 100 million Common Shares to 200 million Common Shares, and from 20 million preferred shares of beneficial interest, \$0.01 par value per share (the Preferred Shares) to 40 million Preferred Shares. The full text of the proposed amendment is set forth in Appendix A to this proxy statement.

We presently have outstanding or reserved for issuance 41,090,417 Common Shares. We presently have classified and outstanding or reserved for issuance the following series of Preferred Shares:

Series of Preferred Shares ⁽¹⁾	Shares Classified	Shares Outstanding
A ⁽²⁾	4,000,000	3,991,900
B	1,200,000	1,100,000
C	2,450,000	(3)
D	3,300,000	3,300,000
E	3,500,000	3,500,000
G	4,000,000	4,000,000
	18,450,000	15,891,900

(1) There are no Series F Preferred Shares outstanding or reserved for issuance. Series F Preferred Units in our operating partnership were issued in connection with an acquisition and will be redeemable by the holder thereof for cash, or, in the sole discretion of the Company, for Common Shares.

(2) We have notified holders of our Series A Preferred Shares that, effective March 6, 2007, we will redeem such shares at the per share redemption price of \$25.00, plus all accrued and unpaid dividends.

(3) We have 2,348,888 Series C Preferred Shares reserved for issuance.

Upon our anticipated redemption of our Series A Preferred Shares on March 6, 2007, such shares will return to the status of unissued and unclassified Preferred Shares in accordance with the terms of the Articles Supplementary designating the Series A Preferred Shares. Pursuant to our Amended and Restated Declaration of Trust, our Board of Trustees may from time to time reclassify unissued Preferred Shares of any series. Accordingly, assuming that the proposed amendment to our Amended and Restated Declaration of Trust is approved by the shareholders and adopted by us and assuming that we make no other redemption of Preferred Shares and issue no additional Preferred Shares, we would have 25,550,000 Preferred Shares available for classification (or reclassification) and issuance.

Purpose and Effect of the Amendment

Our Board of Trustees has authority to issue authorized Common Shares and Preferred Shares in one or more classes or series having such rights and preferences as may be determined by the Board, subject to the limits provided by Maryland real estate investment trust law, including dividend rights and rights upon liquidation, and any conversion, redemption, sinking fund or voting rights. No shareholder approval is required for the issuance of authorized Common Shares and Preferred Shares except to the extent mandated by rules of the New York Stock Exchange or any other exchange on which our shares are then listed for trading. Preferred Shares will be senior to all Common Shares in the payment of dividends and/or upon liquidation. Holders of Preferred Shares are not entitled, as a matter of right, to preemptive rights or rights to subscribe for any other of our securities. Prior to the issuance of shares of any class or series, Articles Supplementary establishing the class or series and determining its relative rights and preferences must be filed with the Maryland State Department of Assessments and Taxation. If the proposed amendment is adopted, it will become effective upon filing of the Articles of Amendment with the Maryland State Department of Assessments and Taxation. The proposed amendment to our Declaration of Trust shows the proposed deletions to the relevant section of Article VI resulting from the proposed amendment.

The ability of our Board of Trustees to issue Common Shares, and separate classes or series of Preferred Shares provides flexibility to tailor senior securities in response to terms specifically negotiated by investors. Our Board of Trustees wishes to preserve maximum flexibility to issue shares in public offerings, in private transactions with investors or in the acquisition of properties when the investor wishes to hold a senior security. In order to maintain our status as a real estate investment trust for federal income tax purposes, we are required to distribute 90% of our REIT taxable income. Accordingly, our ability to grow depends on our access to external sources of capital at attractive rates. Our Board of Trustees believes that our ability to raise capital will be enhanced by having as flexible a capital structure as possible.

Our Board of Trustees has no present commitments, plans or proposals for the issuance of any shares. Issuance of shares could result in one or more of the following detriments:

Preferred Shares will have priority over Common Shares in the payment of dividends and/or liquidating distributions.

The issuance of Preferred Shares bearing preferential dividends, whether at fixed or floating rates, could reduce funds from operations available for distribution to holders of our Common Shares.

The issuance of Common Shares or the conversion of shares of any class or series of Preferred Shares that is convertible into Common Shares could result in diluting the interests of holders of Common Shares.

In addition, class voting rights (whether granted by the specific terms of the Preferred Shares or by law) could delay or prevent a change of control of our company.

The affirmative vote of a majority of the total votes cast on this proposal is required for approval of the proposal to increase the number of authorized Common Shares from 100 million shares to 200 million shares and Preferred Shares from 20 million shares to 40 million shares.

The Board of Trustees recommends a vote FOR Proposal 3.

OTHER MATTERS

Solicitation of Proxies

The cost of solicitation of proxies in the form enclosed herewith will be paid by the Company. In addition to the solicitation of proxies by mail, the trustees, officers and employees of the Company may also solicit proxies personally or by telephone without additional compensation for such activities. The Company will also request persons, firms and corporations holding shares in their names or in the names of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from such beneficial owners. The Company will reimburse such holders for their reasonable expenses.

Shareholder Proposals

Shareholder proposals intended to be presented at the 2008 Annual Meeting of Shareholders must be received by the Secretary of the Company no later than October 29, 2007 in order to be considered for inclusion in the Company's proxy statement relating to the 2008 meeting pursuant to Rule 14a-8 under the Exchange Act (Rule 14a-8).

For a proposal of a shareholder to be presented at the Company's 2008 Annual Meeting of Shareholders, other than a shareholder proposal included in the Company's proxy statement pursuant to Rule 14a-8, it must be received at the principal executive offices of the Company no earlier than the close of business on January 20, 2008 and on or before February 19, 2008, unless the 2008 Annual Meeting of Shareholders is scheduled to take place before March 20, 2008 or after May 19, 2008, in which case notice must be delivered not earlier than the close of business on the 90th day prior to the 2008 Annual Meeting of Shareholders and not later than the close of business on the later of the 60th day prior to the 2008 Annual Meeting of Shareholders or the tenth day following the day on which public announcement of the date of the 2008 Annual Meeting of Shareholders is first made public by the Company. Any such proposal should be mailed to: LaSalle Hotel Properties, 3 Bethesda Metro Center, Suite 1200, Bethesda, Maryland 20814, Attn: Hans S. Weger, Corporate Secretary.

Other Matters

The Board of Trustees does not know of any matters other than those described in this Proxy Statement that will be presented for action at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the best judgment of the proxy holders.

By Order of the Board of Trustees

Hans S. Weger
Secretary

Bethesda, Maryland

February 26, 2007

ARTICLES OF AMENDMENT TO

LASALLE HOTEL PROPERTIES

AMENDED AND RESTATED DECLARATION OF TRUST

LaSalle Hotel Properties, a Maryland real estate investment trust (the Trust), hereby certifies to the State Department of Assessments and Taxation of Maryland (SDAT) that:

1. The Trust desires to and does amend its Amended and Restated Declaration of Trust as currently in effect and as hereinafter provided.

2. Article VI, Section 6.1 is hereby amended by deleting the following text from such section:

Authorized Shares. The Trust shall have the authority to issue a total of 120 million shares of beneficial interest (Shares), of which 100 million shall be common shares of beneficial interest, \$.01 par value per share (Common Shares), and 20 million shall be preferred shares of beneficial interest, \$.01 par value per share (Preferred Shares). The Board of Trustees, with the approval of the holders of record of outstanding Shares (the Shareholders) by a majority of the votes entitled to be cast at a meeting of Shareholders duly called and at which a quorum is present, may amend this Declaration of Trust from time to time to increase or decrease the aggregate number of Shares or the number of Shares of any class that the Trust has authority to issue.

and replacing it with the following:

Authorized Shares. The Trust shall have the authority to issue a total of 240 million shares of beneficial interest (Shares), of which 200 million shall be common shares of beneficial interest, \$.01 par value per share (Common Shares), and 40 million shall be preferred shares of beneficial interest, \$.01 par value per share (Preferred Shares). The Board of Trustees, with the approval of the holders of record of outstanding Shares (the Shareholders) by a majority of the votes entitled to be cast at a meeting of Shareholders duly called and at which a quorum is present, may amend this Declaration of Trust from time to time to increase or decrease the aggregate number of Shares or the number of Shares of any class that the Trust has authority to issue.

3. The foregoing amendment has been duly advised by the Trust s Board of Trustees and approved by the Trust s shareholders in accordance with the applicable provisions of law.

4. The aggregate par value of all authorized shares without giving effect to these Articles of Amendment is \$1,200,000. The aggregate par value of all authorized shares upon giving effect to these Articles of Amendment will be \$2,400,000.

5. These Articles of Amendment have not changed the information required by subsection (b)(2)(i) of Section 2-607 of the Maryland General Corporation Law.

6. The undersigned Chairman, President and Chief Executive Officer acknowledges these Articles of Amendment to be the act of the Trust and as to all matters or facts required to be verified under oath, the undersigned Chairman, President and Chief Executive Officer acknowledges that, to the best of his knowledge, information, and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

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IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment to be signed in its name and on its behalf as of April , 2007, by its undersigned Chairman, President and Chief Executive Officer and attested to by its Secretary.

LASALLE HOTEL PROPERTIES

Jon E. Bortz, Chairman, President and Chief Executive Officer

ATTEST:

Hans S. Weger, Chief Financial Officer, Executive Vice President, Treasurer and Secretary

