

LASALLE HOTEL PROPERTIES  
Form DEFA14A  
March 17, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

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

Filed by the registrant

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.):

No fee required

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

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

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(2) Aggregate number of securities to which transaction applies:

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

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(3) Filing party:

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(4) Date filed:

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

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

- \*
- \*
- \*
- \*

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

of  
shareholders

The 1998 Equity Incentive Plan expired in the second half of 2008, so no equity grants were made in 2008 for 2009 compensation

The  
absence  
of  
an  
equity  
incentive  
plan  
will  
require  
an  
increase  
in  
cash  
payments  
to  
employees  
to

maintain competitive pay structure, contrary to the Company's current financial plan to maximize financial liquidity

The 2009 Equity Incentive Plan would have 1.8 million shares or 6% Shareholder Value Transfer which is

consistent  
with  
similar  
proposals  
from  
the  
Company's  
peer  
group

The Company's historical 3-year average burn rate is .71%, significantly lower than the RiskMetrics Group's recommended

limit  
of  
2.05%

for  
its  
peer  
group  
(GIC  
4040)

The annual increase in CEO compensation in 2008 from 2007 was more than 50% tied to performance based compensation, and

of  
the  
equity  
grants  
issued,  
more  
than  
50%  
were  
performance  
based  
awards

(this does not include change in compensation related to the succession plan put in place by the Board in June 2008)

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

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

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



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Historical Equity Grants

Historical Equity Grants

The company has been judicious in the award of equity compensation as reflected in its reasonable overhang, which is 5.92% on a fully diluted shares outstanding basis and 6.30% on basic shares outstanding basis.

The

Company's

run

rate

for

grant

activity

(1)

(including

grants

related  
to  
succession  
planning)  
has  
been

less than 1% in each of the past three fiscal years:

(1) Grant activity does not include performance shares as none have been earned. The Company awarded 31,490 shares, 45,370 shares in 2006, 2007 and 2008 respectively.

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

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

The performance measurements for the performance awards historically have been:

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

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

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

Full Value Awards granted

Shares Outstanding

Run Rate

Fiscal Year 2008

338,370

40,172,942

0.84%

Fiscal Year 2007

55,390

40,113,388

0.14%

Fiscal Year 2006

174,739

39,667,917

0.44%

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Company's Long-term Performance

Company's Long-term Performance

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

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

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

The

Company

outperformed

both

S&P

500

and

NASDAQ

in

total

return

since

its

IPO

through December 31, 2008 and approximately the same as the Russell 2000

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

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

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Committee's Philosophy on Named Executive's Compensation

Committee's Philosophy on Named Executive's Compensation

Total compensation package should promote pay for performance and be competitive to attract and retain top-level executives

Equity compensation is critical in attracting and retaining superior executives and creating alignment of

their

interests

with

that

of

shareholders

Compensation package should be:

Payable over a longer period than one year

Depend on the Company's performance relative to other REITs

Depend on total compensation paid by REITs similar to the Company by size or by industry

Depend on total shareholder return

The majority of total compensation should be directly linked to relative performance basis and actual performance of the Company

Compensation and performance of executives should be evaluated on the basis of the Company's long-term performance in conjunction with current year performance

The Compensation Committee has the sole authority to hire or fire compensation consultants

Stock ownership guidelines

CEO -

5x salary

COO and CFO

3x salary

5  
CEO Compensation  
CEO Compensation  
In 2006, the Committee had Towers Perrin prepare a report of CEO  
compensation for  
the  
Company's  
peers  
and  
other  
REITS  
of  
similar  
enterprise

value

and

make

package

structure recommendations

Target Compensation

Salary

24%

Target Bonus (can receive 0-200% of target)

24%

Performance based on FFO per share versus budget, FFO per share versus peers and

MBOs

Time-Based Stock Award

25%

Normal vesting over 3 years

Performance-Based Stock Award (can receive 0-200% of target)

27%

Performance based on total return versus REIT Equity Index, peers and absolute return  
for the Company over a 3-year period



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Current CEO

Current CEO

Jon Bortz

has served as CEO for the Company since it went public in 1998

The

Board

and

Compensation

Committee

believe

that

Jon

Bortz

has

done

a

superior

job in directing the Company since it went public

Named CEO of the Year based on pay-for-performance in 2007 by HVS

Ranked

as

4

th

best

REIT

CEO

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

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

of  
CEO  
The  
Board  
and  
Compensation  
Committee

believe  
that  
with  
a  
Company

of  
less  
than  
30  
employees

the CEO position is critical to the success of the Company and an orderly transition of the CEO role is an absolute necessity

The Board and the Compensation Committee had a strong desire to maintain continuity of the current management

team  
and  
to  
have

a  
successful  
transition

of  
the  
role  
of  
CEO

to  
Michael  
Barnello, the COO of the Company since it went public in 1998

The Board and the Compensation Committee preferred to have a 2-year time period for the transition,

to  
increase  
the

preparation  
of  
Michael  
Barnello

for  
his  
new  
role

To  
incent  
and  
pay  
Jon  
Bortz  
to  
remain  
with  
the  
Company  
through  
the  
transition  
period,  
the

Compensation Committee (with Board approval) increased his cash compensation and provided him a one-time additional equity grant of 100,000 shares

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

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