

DiamondRock Hospitality Co
Form DEF 14A
March 28, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

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

DIAMONDROCK HOSPITALITY COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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March 24, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 annual meeting of stockholders of DiamondRock Hospitality Company. The annual meeting will be held on Thursday April 27, 2006 at 11:00 a.m., local time, at Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland.

The attached proxy statement, with formal notice of the meeting on the first page, describes the matters expected to be acted upon at the meeting. We urge you to review these materials carefully and to use this opportunity to take part in the affairs of DiamondRock Hospitality Company by voting on the matters described in this proxy statement. We hope that you will be able to attend the meeting. Following the formal portion of the meeting we will review our operations, report on our 2005 financial results and discuss our plans for the future. Our directors and management team will also be available to answer appropriate questions.

Your vote is important. Whether or not you plan to attend the meeting, please complete the enclosed proxy card and return it as promptly as possible or vote by calling the toll-free telephone number or via the Internet. The enclosed proxy card contains instructions regarding all three methods of voting. If you attend the meeting, you may continue to have your shares voted as instructed in the proxy or you may withdraw your proxy at the meeting and vote your shares in person.

We look forward to seeing you at the meeting.

Sincerely,
WILLIAM W. MCCARTEN
Chairman and Chief Executive Officer

DIAMONDROCK HOSPITALITY COMPANY

**6903 Rockledge Drive
Suite 800
Bethesda, MD 20817**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 27, 2006

The 2006 annual meeting of stockholders of DiamondRock Hospitality Company (DiamondRock) will be held on Thursday, April 27, 2006 at 11:00 a.m., local time, at Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland, for the following purposes:

1. To elect directors, each to serve for a one-year term and until their respective successors are duly elected and qualified;
2. To ratify the appointment of KPMG LLP as independent auditors of DiamondRock to serve for 2006; and
3. To consider and act upon any other matters that are properly brought before the annual meeting and at any adjournments or postponements thereof.

You may vote if you were a stockholder of record as of the close of business on March 24, 2006. If you do not plan to attend the meeting and vote your shares of common stock in person, please vote in one of the following ways:

- Use the toll-free telephone number shown on your proxy card (this call is toll-free if made in the United States or Canada);
- Go to the website address shown on your proxy card and vote via the Internet; or
- Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope.

Any proxy may be revoked at any time prior to its exercise at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS
Michael D. Schecter
Corporate Secretary

March 24, 2006

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March 24, 2006

PROXY STATEMENT

DIAMONDROCK HOSPITALITY COMPANY

**6903 Rockledge Drive
Suite 800
Bethesda, MD 20817**

This proxy statement and the enclosed proxy card are being mailed to stockholders on or about March 24, 2006 and are furnished in connection with the solicitation of proxies by the Board of Directors of DiamondRock Hospitality Company (DiamondRock or Company) for use at the 2006 annual meeting of our stockholders to be held on Thursday April 27, 2006 at 11:00 a.m., local time, at the Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland, and at any adjournments or postponements thereof.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

At the annual meeting, stockholders will be asked to vote upon the matters set forth in the accompanying notice of meeting, including the election of directors and ratification of the appointment of KPMG LLP as independent auditors.

Who is entitled to vote?

If our records show that you were a stockholder as of the close of business on March 24, 2006, which is referred to in this proxy statement as the record date, you are entitled to receive notice of the annual meeting and to vote the shares of common stock that you held as of the close of business on the record date. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted upon.

May I attend the meeting?

All stockholders of record of shares of our common stock at the close of business on the record date, or their designated proxies, are authorized to attend the annual meeting. Each stockholder or proxy will be asked to present a form of valid picture identification, such as a driver's license or passport.

What constitutes a quorum?

The presence, in person or by proxy, of stockholders entitled to cast a majority of all the votes entitled to be cast at the annual meeting constitutes a quorum for the transaction of business at the annual meeting. As of the record date, there were 51,566,864 shares of common stock outstanding and entitled to vote at the annual meeting. Shares that reflect votes withheld for director nominees, abstentions or broker non-votes (i.e., shares represented at the meeting held by brokers or other nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote such shares and with respect to which, on one or more but not all matters, the broker or nominee does not have discretionary voting power to vote such shares) will be counted for purposes of determining whether a quorum is present for the transaction of business at the annual meeting.

How do I vote?

Voting in Person at the Meeting. If you are a registered stockholder and attend the annual meeting, you may vote in person at the meeting. If your shares of common stock are held by a broker, bank or other nominee (i.e., in street name) and you wish to vote in person at the meeting, you will need to obtain a proxy form from the broker, bank or other nominee that holds your shares of common stock of record.

Voting by Proxy for Shares Registered Directly in the Name of the Stockholder. If you hold your shares in your own name as a holder of record, you may instruct the proxy holders named in the enclosed proxy card how to vote your shares of common stock by using the toll-free telephone number, the website listed on the proxy card or by signing, dating and mailing the proxy card in the postage-paid envelope provided.

- *Vote by Telephone.* If you hold your shares of common stock in your own name as a holder of record, you may vote by telephone by calling the toll-free number listed on the accompanying proxy card. Telephone voting is available 24 hours per day until 11:59 p.m., Eastern Time, on April 26, 2006. When you call, please have your proxy card in hand, and you will receive a series of voice instructions which will allow you to vote your shares of common stock. ***IF YOU VOTE BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.***
- *Vote by Internet.* You also have the option to vote via the Internet. The website for Internet voting is printed on your proxy card. Internet voting is available 24 hours per day until 11:59 p.m., Eastern Time, on April 26, 2006. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. ***IF YOU VOTE VIA THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.***
- *Vote by Mail.* If you would like to vote by mail, mark, sign and date your proxy card and return it in the postage-paid envelope provided.

Voting by Proxy for Shares Registered in Street Name. If your shares of common stock are held in street name, you will receive instructions from your broker, bank or other nominee which you must follow in order to have your shares of common stock voted.

What is householding?

The rules of the Securities and Exchange Commission (the SEC) allow for householding, which is the delivery of a single copy of an annual report and proxy statement to any address shared by two or more stockholders. Duplicate mailings can be eliminated by allowing stockholders to consent to such elimination, or through implied consent if (1) it is believed that the stockholders are members of the same family, (2) the stockholders are notified that householding is to be used and (3) the stockholders do not request continuation of duplicate mailings. If you own shares of common stock in your own name as a holder of record, householding will not apply to your shares. If your shares of common stock are held in street name, depending upon the practices of your broker, bank or other nominee, you may need to contact them directly to discontinue duplicate mailings to your address. If you wish to revoke your consent to householding, you must contact your broker, bank or other nominee.

If you wish to request extra copies free of charge of our annual report or proxy statement, please send your request to DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Corporate Secretary; or call us with your request at (240) 744-1150.

Will other matters be voted on at the annual meeting?

We are not currently aware of any other matters to be presented at the annual meeting other than those described in this proxy statement. If any other matters not described in the proxy statement are properly presented at the meeting, any proxies received by us will be voted in the discretion of the proxy holders.

May I revoke my proxy instructions?

You may revoke your proxy at any time before it has been exercised by:

- filing a written revocation with our corporate secretary, c/o DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817;
- submitting a new proxy by telephone, Internet or proxy card after the date of the previously submitted proxy; or
- appearing in person and voting by ballot at the annual meeting.

Any stockholder 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 stockholder at the annual meeting will not constitute revocation of a previously given proxy.

What other information should I review before voting?

For your review, our 2005 annual report, including a copy of our annual report filed with the SEC on Form 10-K and financial statements for the fiscal year ended December 31, 2005, is being mailed to stockholders concurrently with this proxy statement. Although our annual report is not part of the proxy solicitation material, we recommend that you review our 2005 annual report prior to voting.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

The Board of Directors and Its Committees

Board of Directors. We are managed under the direction of our Board of Directors (the Board of Directors). Each of the six directors stands for election annually.

Director Independence. Our Board of Directors has a policy that a majority of our directors must be independent. In order to qualify as an independent director under independence standards, a director may not have a material relationship with us. In addition, directors must also be independent within the meaning of the New York Stock Exchange's requirements, or the NYSE Corporate Governance Rules.

A director is not considered independent if, within the past three years:

- the director was employed by our Company (except on an interim basis);
- an immediate family member of the director was an officer of our Company;
- the director or an immediate family member was affiliated with or employed by our internal or external auditors;
- the director or an immediate family member was employed by a company when a present officer of our Company sat on that company's compensation committee;
- the director or an immediate family member received, during any 12-month period, more than \$100,000 in compensation from our Company, other than director or committee fees or deferred compensation; or
- the director is an employee, or an immediate family member is an executive officer, of a company that makes payments to or receives payments from our Company which exceed the greater of \$1 million or 2% of that company's consolidated gross revenue over one fiscal year.

In addition, our Board of Directors considers, among other factors, whether the director, or an organization with which the director is affiliated, has entered into any commercial, consulting, or similar contracts with our Company; whether the director receives any compensation or other fees from our Company, other than the director fees described below under Compensation of Directors; and whether we and/or any of our affiliates make substantial contributions to tax-exempt organizations with which the director, or the director's spouse, is affiliated.

Our Board of Directors has determined that each of our four non-management directors are independent directors for the purposes of the NYSE Corporate Governance Rules. These four directors comprise a majority of our six-member Board of Directors.

Meetings. Our Board of Directors met eight times during 2005. Each of our directors attended at least 75% of the meetings of our Board of Directors and 75% of the meetings of the committees of our Board of Directors on which the director served (during the periods that he or she served). We expect each of our directors to attend our annual meeting of stockholders in person unless doing so would be impracticable due to unavoidable conflicts. In 2005 while we were still a privately-held company, Messrs. Altobello, Grafton, McCarten and Williams attended our first annual meeting of stockholders.

Directors who qualify as being non-management within the meaning of the NYSE Corporate Governance Rules meet on a regular basis in executive sessions without management participation. The executive sessions occur after each regularly scheduled meeting of our entire Board of Directors and at such other times that our non-management directors deem appropriate. Each director has the right to call an executive session. The executive sessions are chaired by Mr. Grafton, the lead director of our Board of Directors.

Committees. Our Board of Directors has established an Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee and has adopted written charters for each committee. A copy of each of our Audit Committee Charter, Compensation Committee Charter and Nominating and Corporate Governance Committee Charter is available on our website at <http://www.drhc.com> under the heading Corporate Governance and subheading Committee Charters. These charters are also available in print to any stockholder upon written request addressed to Investor Relations, c/o DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817. In addition, the charter of our Audit Committee is attached hereto as Exhibit A.

The chart below shows the membership of each of these committees.

Name of Director	Audit	Compensation	Nominating and Corporate Governance
Daniel J. Altobello	X	X, C	X
W. Robert Grafton	X, C	X	
Maureen J. McAvey	X		X
Gilbert T. Ray		X	X, C

X=Committee member, C=Chair

Our Board of Directors may from time to time establish special or standing committees to facilitate the management of DiamondRock or to discharge specific duties delegated to the committee by our full Board of Directors.

Audit Committee. Our Audit Committee is comprised of Daniel J. Altobello, W. Robert Grafton and Maureen L. McAvey. Mr. Grafton serves as the chairperson of our Audit Committee. Each member of our Audit Committee is independent as that term is defined by the SEC and NYSE. Mr. Altobello currently serves on the audit committees of three other public companies. The Board of Directors has determined that such service does not impair the ability of Mr. Altobello to effectively serve on the committee. The Report of the Audit Committee is included in this Proxy Statement. Our Audit Committee met four times during 2005.

Our Board of Directors determined that each of Mr. Grafton and Mr. Altobello qualifies as an audit committee financial expert as such term is defined in the rules of the SEC. In accordance with the SEC's safe harbor relating to audit committee financial experts, a person designated or identified as an audit committee financial expert will not be deemed an expert for purposes of federal securities laws. In addition, such designation or identification does not impose on such person any duties, obligations or liabilities that are greater than those imposed on such person as a member of the Audit Committee or Board of Directors in the absence of such designation or identification and does not affect the duties, obligations or liabilities of any other member of the Audit Committee or Board of Directors.

Our Audit Committee, pursuant to its written charter, assists our Board of Directors in its oversight of (i) our accounting and financial reporting processes; (ii) the integrity and audits of our financial statements; (iii) our compliance with legal and regulatory requirements; (iv) the qualifications, independence and performance of our independent auditors; and (v) the performance of our internal audit function. Our Audit Committee, among other things, also:

- is responsible for the appointment, retention and termination of our independent auditors and determines the compensation of our independent auditors;
- annually evaluates the independent auditors' qualifications, performance and independence;
- has sole authority to approve in advance all audit, internal control-related and non-audit services by our independent auditors, the scope and terms thereof, and the fees therefor;

- sets policies with respect to the potential hiring of current or former employees of the independent auditor;
- meets at least quarterly with our senior executive officers, internal auditors and our independent auditors in separate executive sessions;
- annually reviews and assesses the adequacy of our Audit Committee charter and recommends to our Board of Directors any amendments or modifications to our Audit Committee charter that our Audit Committee deems appropriate; and
- annually evaluates the performance of our Audit Committee and reports the results of such an evaluation to our Board of Directors.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee is comprised of three independent directors, Daniel J. Altobello, Maureen L. McAvey and Gilbert T. Ray. Mr. Ray serves as the chairperson of our Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee, pursuant to its written charter, is responsible for, among other things:

- identifying and recommending qualified individuals to become members of our Board of Directors;
- recommending to our Board of Directors criteria for membership on our Board of Directors and committee membership, including any specific minimum qualifications;
- recommending to our Board of Directors the directors for appointment to committees of our Board of Directors;
- developing and recommending to our Board of Directors a set of corporate governance guidelines and policies and a code of ethics, and periodically reviewing and recommending any changes to such guidelines and code;
- overseeing the annual performance evaluation of our Board of Directors;
- establishing policies for the identification and consideration of director candidates recommended by stockholders or securityholders;
- reviewing and assessing our Nominating and Corporate Governance Committee Charter and submitting proposed changes to our Board of Directors; and
- performing an annual performance evaluation of our Nominating and Corporate Governance Committee and reporting the results to our Board of Directors.

Compensation Committee. Our Compensation Committee is comprised of three independent directors, Daniel J. Altobello, W. Robert Grafton and Gilbert T. Ray. Mr. Altobello serves as the chairperson of our Compensation Committee. The Compensation Committee, pursuant to its written charter, among other things:

- reviews and approves or makes recommendations to our Board of Directors with respect to the compensation for our executive officers and non-employee directors;
- reviews and approves or makes recommendations to our Board of Directors with respect to our incentive-based and equity-based plans; and

- reviews and assesses the adequacy of the Compensation Committee charter and submits proposed changes to our Board of Directors.

The Compensation Committee also reviews and approves corporate goals and objectives relevant to chief executive officer compensation, evaluates the chief executive officer's performance in light of those

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goals and objectives, and determines and approves the chief executive officer's compensation levels based on its evaluation. Our Compensation Committee has the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the chief executive officer or other executive officer compensation. The Report of the Compensation Committee is included in this Proxy Statement.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, or our Code of Ethics, relating to the conduct of our business by our employees, executive officers and directors. Day-to-day responsibility for administering and interpreting our Code of Ethics has been delegated by our Board of Directors to Mr. Schechter, the compliance officer and our general counsel. Our Code of Ethics generally provides, among other things, that our directors, executive officers and employees must:

- not engage in any unlawful activity in conducting our business;
- protect our assets that are entrusted to them and take steps to ensure that our assets are used only for legitimate business purposes;
- not divert corporate opportunities that are discovered through the use of our property or information to himself or herself unless that opportunity has first been presented to, and rejected by, us;
- not use our property or information for his or her improper personal gain;
- not compete with us;
- not disclose or distribute our confidential information, except when such disclosure is authorized by us or required by law; and
- deal ethically and lawfully with our customers, suppliers, competitors and employees.

Our Code of Ethics also contains compliance procedures, allows for the anonymous reporting of a suspected violation of our Code of Ethics and specifically forbids retaliation against any executive officer or employee who reports suspected misconduct in good faith. The provisions of our Code of Ethics may only be waived or amended by our Board of Directors or, if permitted, a committee of our Board of Directors. Such waivers or amendments must be promptly disclosed to our stockholders. We intend to disclose any amendments to our Code of Ethics, as well as any waivers for executive officers, on our website.

A copy of the Code of Ethics is available on our website at <http://www.drhc.com> under the heading "Corporate Governance" and subheading "Corporate Governance Overview." We intend to disclose on this website any amendment to, or waiver of, any provision of the Code of Ethics applicable to our directors and executive officers that would otherwise be required to be disclosed under the rules of the SEC or the NYSE Corporate Governance Rules. A copy of this Code is also available in print to any stockholder upon written request addressed to Investor Relations, DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817.

In addition, our Board of Directors adopted Corporate Governance Guidelines, a copy of which is also available on our website at <http://www.drhc.com> under the heading "Corporate Governance" and subheading "Corporate Governance Overview." Our Corporate Governance Guidelines are also available in print to any stockholder upon written request addressed to Investor Relations, DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817.

Conflicts of Interest

Our Code of Ethics also contains a conflicts of interest policy to reduce potential conflicts of interest. Our conflicts of interest policy provides that any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest should be reported promptly to the compliance officer, who must then notify our Board of Directors or a committee of our Board of Directors. Actual or potential conflicts of interest involving a director, executive officer or the compliance officer should be disclosed directly to our chairman of our Board of Directors and the chairperson of our Nominating and Corporate Governance Committee. A conflict of interest occurs when a director's, executive officer's or employee's personal interest interferes with our interests. In general, this means that our directors, executive officers and employees must avoid situations that present a potential or actual conflict between their personal interests and our interests. However, we cannot assure you that this policy will be successful in eliminating the influence of these potential conflicts.

Maryland law provides that a contract or other transaction between a corporation and any of the corporation's directors or any other entity in which that director is also a director or has a material financial interest is not void or voidable solely on the grounds of the common directorship or interest, the fact that the director was present at the meeting at which the contract or transaction is approved or the fact that the director's vote was counted in favor of the contract or transaction, if:

- the fact of the common directorship or interest is disclosed to our board or a committee of our board, and our board or that committee authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even if the disinterested directors constitute less than a quorum;
- the fact of the common directorship or interest is disclosed to stockholders entitled to vote on the contract or transaction, and the contract or transaction is approved by a majority of the votes cast by the stockholders entitled to vote on the matter, other than votes of stock owned of record or beneficially by the interested director, corporation, firm or other entity; or
- the contract or transaction is fair and reasonable to the corporation.

Legal Proceedings

We are not a party to any material pending legal proceedings, including any material proceedings to which any of our directors, officers, affiliates, stockholders or any of their associates is an adverse party to us.

Consideration of Director Nominees

Securityholder Recommendations. Our Nominating and Corporate Governance Committee's current policy is to review and consider any director candidates who have been recommended by securityholders in compliance with the procedures established from time to time by our Nominating and Corporate Governance Committee. All securityholder recommendations for director candidates must be submitted to our Corporate Secretary at DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, who will forward all recommendations to our Nominating and Corporate Governance Committee. We did not receive any securityholder recommendations for director candidates for election at our 2006 annual meeting in compliance with the procedures set forth below. All securityholder recommendations for director candidates for election at our 2007 annual meeting of stockholders must be submitted to our Corporate Secretary on or before December 1, 2006 and must include the following information:

- the name and address of record of the securityholder;

- a representation that the securityholder is a record holder of our securities, or if the securityholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) under the Securities Exchange Act of 1934, as amended (the Exchange Act);
- the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five (5) full fiscal years of the proposed director candidate;
- a description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications and other criteria for Board of Directors membership as approved by our Board of Directors from time to time;
- a description of all arrangements or understandings between the securityholder and the proposed director candidate;
- the consent of the proposed director candidate (1) to be named in the proxy statement relating to our annual meeting of stockholders and (2) to serve as a director if elected at such annual meeting; and
- any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to the rules of the SEC.

Board of Directors Membership Criteria. Our Board of Directors has established criteria for Board of Directors membership. These criteria include the following specific, minimum qualifications that our Nominating and Corporate Governance Committee believes must be met by a nominee for a position on our Board of Directors, including the nominee shall:

- have the highest personal and professional integrity;
- have demonstrated exceptional ability and judgment; and
- be most effective, in conjunction with the other nominees to our Board of Directors, in collectively serving the long-term interests of the stockholders.

In addition to the minimum qualifications for each nominee set forth above, our Nominating and Corporate Governance Committee will recommend director candidates to the full Board of Directors for nomination, or present director candidates to the full Board of Directors for consideration, to help ensure that:

- a majority of our Board of Directors shall be independent as defined by the NYSE Rules;
- each of its Audit, Compensation and Nominating and Corporate Governance Committees shall be comprised entirely of independent directors; and
- at least one member of our Audit Committee shall have such experience, education and other qualifications necessary to qualify as an audit committee financial expert as defined by the rules of the SEC.

Identifying and Evaluating Nominees. Our Nominating and Corporate Governance Committee may solicit recommendations for director nominees from any or all of the following sources: non-management directors, our chairman and chief executive officer, other executive officers, third-party search firms, or any other source it deems appropriate.

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Our Nominating and Corporate Governance Committee will review and evaluate the qualifications of any proposed director candidate that it is considering or has been recommended to it by a securityholder in compliance with our Nominating and Corporate Governance Committee's procedures for that purpose, and conduct inquiries it deems appropriate into the background of these proposed director candidates. In

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identifying and evaluating proposed director candidates, our Nominating and Corporate Governance Committee may consider, in addition to the minimum qualifications for Board of Directors membership approved by our Board of Directors, all facts and circumstances that it deems appropriate or advisable, including, among other things, the skills of the proposed director candidate, his or her depth and breadth of business experience, his or her independence and the needs of our Board of Directors. Other than circumstances in which we are legally required by contract or otherwise to provide third parties with the ability to nominate directors, our Nominating and Corporate Governance Committee will evaluate all proposed director candidates that it considers or who have been properly recommended to it by a securityholder based on the same criteria and in substantially the same manner, with no regard to the source of the initial recommendation of the proposed director candidate.

Communications with our Board of Directors

If you wish to communicate with any of our directors or our Board of Directors as a group, you may do so by writing to them at [Name(s) of Director(s)/Board of Directors of DiamondRock Hospitality Company], c/o Corporate Secretary, DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817.

If you wish to contact our Audit Committee to report complaints or concerns regarding accounting, internal accounting controls or auditing matters, you may do so by writing to the Chairman of the Audit Committee of DiamondRock Hospitality Company, c/o Corporate Secretary, DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817. You are welcome to make any such reports anonymously, but we prefer that you identify yourself so that we may contact you for additional information if necessary or appropriate.

If you wish to communicate with our non-management directors as a group, you may do so by writing to Non-Management Directors of DiamondRock Hospitality Company, c/o Corporate Secretary, DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817.

We recommend that all correspondence be sent via certified U.S. mail, return receipt requested. All correspondence received by the Compliance Officer will be forwarded by the Compliance Officer promptly to the addressee(s).

PROPOSAL 1: ELECTION OF DIRECTORS

Introduction

Six directors will be elected at our 2006 annual meeting of stockholders to serve until our 2007 annual meeting of stockholders. All directors are to hold office until our 2007 annual meeting or until their respective successors shall be duly elected.

Each nominee to be a director was recommended by our Nominating and Corporate Governance Committee which considered a number of factors, including the criteria for Board of Directors membership approved by our Board of Directors, and then nominated by our Board of Directors. Each of the nominees is a current member of our Board of Directors. The nominees are Daniel J. Altobello, W. Robert Grafton, Maureen L. McAvey, William W. McCarten, Gilbert T. Ray and John L. Williams.

Our Board of Directors anticipates that the nominees will serve, if elected, as directors. However, if any person nominated by our Board of Directors is unable to serve or for good cause will not serve, the proxies will be voted for the election of such other person as our Board of Directors may recommend.

Vote Required

Directors are elected by a plurality of the votes cast by proxy and entitled to vote on the election of directors at the annual meeting. Votes may be cast for or withheld from each nominee. Votes cast for the nominees will count as yes votes; votes that are withheld from the nominees will not be voted with respect to the director or directors indicated, although they will be counted when determining whether there is a quorum present.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR ITS NOMINEES. PROPERLY AUTHORIZED PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR EACH OF THE NOMINEES UNLESS INSTRUCTIONS TO WITHHOLD OR TO THE CONTRARY ARE GIVEN.

Information Regarding the Nominees and Executive Officers

The following biographical descriptions set forth certain information with respect to the nominees for election as directors at our 2006 annual meeting and the executive officers who are not directors, based on information furnished to us by each nominee and executive officer as of March 1, 2006.

Certain information regarding our directors and senior executive officers is set forth below.

Name	Age	Position
William W. McCarten	57	Chairman of the Board of Directors, Chief Executive Officer and Director
John L. Williams	54	President, Chief Operating Officer and Director
Daniel J. Altobello*(1)(2)(3)	65	Director
W. Robert Grafton*(1)(2)(4)	64	Lead Director
Gilbert T. Ray*(2)(3)	61	Director
Maureen L. McAvey*(1)(3)	59	Director
Mark W. Brugger	36	Executive Vice President, Chief Financial Officer and Treasurer
Michael D. Schecter	41	General Counsel and Secretary
Sean M. Mahoney	34	Chief Accounting Officer and Corporate Controller

* Independent Director

- (1) Member of our Audit Committee.
- (2) Member of our Compensation Committee.
- (3) Member of our Nominating and Corporate Governance Committee.
- (4) Mr. Grafton serves as our Lead Director.

The following is a summary of certain biographical information concerning our nominees and senior executive officers:

Nominees

William W. McCarten is our Chairman of the Board of Directors, Chief Executive Officer and a member of our Board of Directors. Mr. McCarten worked for the Marriott Corporation, or Marriott International, Inc., and its related entities for over twenty-five years and retired from Marriott in January 2004. From 2001 to 2003, Mr. McCarten served as President of the Marriott Services Group within Marriott International, Inc. From 1995 to 2000, Mr. McCarten served as the Chief Executive Officer of HMSHost Corporation, formerly Host Marriott Services Corporation, a publicly held developer and operator of restaurant and retail concessions in travel and entertainment venues listed on the New York Stock Exchange. In addition, Mr. McCarten served as non-executive Chairman of HMSHost Corporation from 2000 to 2001. As Chief Executive Officer of HMSHost Corporation, Mr. McCarten oversaw the spin-off of that company from Host Marriott Corporation through its merger with Autogrill, S.P.A. From 1993 to 1995, Mr. McCarten was Executive Vice President and Operating Group President of Host Marriott Corporation. Mr. McCarten was President Host and Travel Plazas for the Marriott Corporation from 1992 to 1993 and served as Executive Vice President Host and Travel Plazas from 1991 to 1992. From 1986 to 1991, Mr. McCarten was Senior Vice President, Finance and Corporate Controller of Marriott Corporation. From 1979 to 1986, Mr. McCarten served in various executive positions at Marriott. Prior to joining Marriott, Mr. McCarten was an accountant with Arthur Andersen & Co. from 1970 to 1979. Mr. McCarten received his B.S. in Accounting from the McIntire School of Commerce at the University of Virginia in 1970, and he served on the Advisory Board of the McIntire School from 1981 to 1996.

John L. Williams serves as our President and Chief Operating Officer and is a member of our Board of Directors. Mr. Williams worked for the Marriott Corporation, or Marriott International, Inc., and its

related entities for over twenty-five years. Mr. Williams most recently served as Executive Vice President of North American Hotel Development for Marriott International. From 1993 to 2004, Mr. Williams served as Senior and Executive Vice President of Development. From 1991 to 1992, Mr. Williams, while on a leave of absence from Marriott, served as the Chief Acquisition Executive for Lodging Opportunities, the initial lodging fund sponsored by the Thayer organization. From 1982 to 1990, Mr. Williams was Vice President of Hotel Development, where he was responsible for the development of Marriott hotels in the western United States (1982-1985) and the northeastern United States (1984-1990). Mr. Williams was a Director of Feasibility from 1980 to 1982. Prior to joining the Marriott Corporation in 1980, Mr. Williams was a senior consultant with Laventhal and Horwath. Mr. Williams received a BS/BA from Denver University with a major in Hotel and Restaurant Management and B.A. in American Studies from Denver University in 1973. In addition, Mr. Williams performed graduate coursework at the University of Missouri at Kansas City with a concentration in finance.

Daniel J. Altobello is a member of our Board of Directors. Mr. Altobello has been Chairman of Altobello Family LP since 1991. Mr. Altobello also served as chairman of the board of directors of Onex Food Services, Inc., the parent corporation of Caterair International, Inc. and LSG/SKY Chefs from 1995 to 2001. From 1989 to 1995, Mr. Altobello was the Chairman, Chief Executive Officer and President of Caterair International Corporation. He currently serves on the board of directors of JER Investors Trust, Inc., MESA Air Group, World Airways, Inc., Friedman, Billings, Ramsey Group, Inc. and Media Bay, Inc. In addition, Mr. Altobello serves on the Advisory Board of Thayer Capital Partners and on the boards of two non-reporting companies, Associated Asphalt and Mercury Air Group.

W. Robert Grafton is a member of our Board of Directors and serves as our Lead Director. Mr. Grafton is a retired certified public accountant. He retired from Andersen Worldwide S.C. in 2000. Andersen Worldwide provided global professional auditing and consulting services through its two service entities, Arthur Andersen and Andersen Consulting. Mr. Grafton joined Arthur Andersen in 1963 and was elected a member of the Board of Partners of Andersen Worldwide in 1991. Mr. Grafton was elected Chairman of the Board of Partners in 1994 and served as Managing Partner Chief Executive from 1997 through 2000. Mr. Grafton serves on the board of directors of Carmax Inc., a publicly traded company listed on the New York Stock Exchange, where he also serves as Chairman of the Audit Committee.

Maureen L. McAvey is a member of our Board of Directors. Ms. McAvey has been a Senior Resident Fellow and ULI/Klingbeil Family Chair for Urban Development at the Urban Land Institute (ULI) in Washington, DC since 2001. ULI is a premier research and education organization within the real estate and land use industry. Ms. McAvey was a member of the board of trustees of ULI from 1995 to 2001. Prior to joining ULI, from 1998 to 2001, Ms. McAvey was Director, Business Development, for Federal Realty Investment Trust, an owner and manager of retail developments and mixed-use developments and a publicly traded company listed on the New York Stock Exchange. Ms. McAvey also has served as the Director of Development for the City of St. Louis, a cabinet level position in the Mayor's office and she was Executive Director of the St. Louis Development Corporation. Prior to working for the city of St. Louis, Ms. McAvey led the real estate consulting practices in Boston for Deloitte & Touche and Coopers & Lybrand. Ms. McAvey directed the west coast operations of Carley Capital Group, a national development firm and also has experience as a private developer. Ms. McAvey holds two master's degrees, one from the University of Minnesota and one from the Kennedy School of Government, Harvard University.

Gilbert T. Ray is a member of our Board of Directors. Mr. Ray was a partner in the law firm of O Melveny & Myers LLP until his retirement in 2000. He practiced corporate law for almost three decades, and has extensive experience with corporate and tax exempt transactions, as well as international finance. Mr. Ray is a member of the board of directors of Advance Auto Parts, Inc., Watson Wyatt & Company Holdings and IHOP Corp., each a publicly traded company listed on the New York Stock Exchange. In addition, Mr. Ray is a member of the board of directors of Automobile Club of Southern

California and Sierra Monolithics, Inc. Mr. Ray is also a trustee of SunAmerica Series Trust, Seasons Series Fund, The John Randolph Haynes and Dora Haynes Foundation, and St. John's Health Center Foundation.

Senior Executive Officers

Mark W. Brugger serves as our Executive Vice President, Chief Financial Officer and Treasurer. Previously, Mr. Brugger served as Vice President Project Finance for Marriott International, Inc., from 2000 to 2004. From 2001 to 2004, Mr. Brugger also served as Chief Executive Officer of Synthetic Fuel Enterprises, a wholly-owned subsidiary of Marriott International, Inc. with annual revenues in excess of \$300 million. From 1997 to 2000, Mr. Brugger served as Vice President Investment Sales of Transwestern Commercial Services, formerly the Carey Winston Company. From 1995 to 1997, Mr. Brugger was the Land Development Director for Coscan Washington, Inc. Mr. Brugger received a Juris Doctorate from American University School of Law in 1995 and a B.A. from the University of Maryland at College Park in 1992.

Michael D. Schechter serves as our General Counsel and Secretary. Previously, Mr. Schechter served as Senior Counsel of Marriott International, Inc., from 1998 to 2004. From 1991 to 1998, Mr. Schechter was an associate at Sullivan & Cromwell in their Washington, D.C. and Melbourne, Australia offices. From 1990 to 1991, Mr. Schechter served as a law clerk to the Honorable Frank M. Johnson, Jr. of the United States Court of Appeals for the Eleventh Circuit. Mr. Schechter received a Juris Doctorate from Cornell Law School in 1990 and a B.A. from Bates College in 1986.

Sean M. Mahoney serves as our Chief Accounting Officer and Corporate Controller. Previously, Mr. Mahoney served as a senior manager with Ernst & Young LLP in McLean Virginia. During 2002 and 2003 Mr. Mahoney served as a Director in the Dublin, Ireland audit practice of KPMG. From 1993 to 2001, Mr. Mahoney worked in the audit practice of Arthur Andersen LLP. Mr. Mahoney is a member of the American Institute of Certified Public Accountants and is a Virginia C.P.A. Mr. Mahoney received a B.S. from Syracuse University in 1993.

PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF KPMG AS INDEPENDENT AUDITORS

Our Audit Committee has unanimously selected KPMG LLP as DiamondRock's independent auditor for the current fiscal year, and our Board of Directors is asking stockholders to ratify that selection. Although current law, rules, and regulations, as well as the charter of our Audit Committee, require DiamondRock's independent auditor to be engaged, retained, and supervised by our Audit Committee, our Board of Directors considers the selection of the independent auditor to be an important matter of stockholder concern and is submitting the selection of KPMG LLP for ratification by stockholders as a matter of good corporate practice. Representatives of KPMG LLP will be present at the annual meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

The Board of Directors unanimously recommends a vote FOR ratification of the appointment of KPMG LLP as independent auditors of DiamondRock for 2006.

PRINCIPAL AND MANAGEMENT STOCKHOLDERS

The table below shows the amount of our common stock beneficially owned as of March 1, 2006 by (i) each director and nominee for director, (ii) our chairman and chief executive officer and the four other most highly compensated executive officers of our Company each of whose compensation exceeded \$100,000 during the fiscal year ended December 31, 2005 (the named executive officers); (iii) all of our directors, director nominees and executive officers as a group; and (iv) each person known by us to be the beneficial owner of more than 5% of our outstanding common stock (the 5% Holders).

The number of common shares beneficially owned by each stockholder is determined under rules issued by the SEC regarding the beneficial ownership of securities. This information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership of common stock includes (i) any shares as to which the person or entity has sole or shared voting power or investment power and (ii) any shares as to which the person or entity has the right to acquire beneficial ownership within 60 days after March 1, 2006, including any shares which could be purchased by the exercise of options at or within 60 days after March 1, 2006.

Under the relevant SEC rules, each executive officer of our Company may vote his or her unvested shares of restricted stock so they are deemed to be beneficially owned by the relevant executive officer. However, the executive officers have no right to vote the shares of common stock underlying the deferred stock units, as such deferred stock units merely represent our unsecured obligation to deliver such underlying shares in the future, thus such underlying shares are not deemed to be beneficially owned by the relevant executive officer.

Name of Beneficial Owner	Beneficial Ownership			
	Number		Percent(1)	
Directors and named executive officers:				
William W. McCarten**	325,100	(2)	*	
Daniel J. Altobello**	13,500		*	
W. Robert Grafton**	11,500		*	
Maureen L. McAvey**	8,500		*	
Gilbert T. Ray**	8,500		*	
John L. Williams**	240,000	(3)	*	
Mark W. Brugger**	175,000	(4)	*	
Michael D. Schecter**	85,000	(5)	*	
Sean M. Mahoney**	15,000	(6)	*	
Directors and named executive officers as a group (9 persons)	882,100		1.7	%
5% Holders:				
Marriott Hotel Services, Inc.	4,428,571	(7)	8.6	%
Capital Growth Management LP	3,679,000	(8)	7.1	%
Wellington Management Co. LLP	3,811,900	(9)	7.3	%
Lord Abbett Research Fund, Inc. Small Cap Value Series	3,856,311	(10)	7.5	%
Cohen & Steers Capital Management, Inc.	3,672,800	(11)	7.1	%

* Represents less than 1% of the number of shares of common stock outstanding.

** The address of such person is c/o DiamondRock Hospitality Company, 6903 Rockledge Drive, Bethesda, MD 20817.

(1) Calculated using 51,566,864 shares of common stock outstanding as of March 1, 2006, which includes all unvested shares of restricted stock but, in accordance with the SEC's rules, it does not include the shares of common stock underlying the deferred stock units issued to the executive officers in

connection with our initial public offering. There were no additional adjustments required by Rule 13d-3(d)(i) of the Exchange Act as no executive officer or director has any right to acquire shares within 60 days in a manner similar to those rights set forth in Rule 13d-3(d)(i) of the Exchange Act.

(2) In addition to the 100,100 shares of our common stock that Mr. McCarten purchased from us directly at the same price and at the same time as investors in our July 2004 private placement, such shares include 225,000 shares of restricted stock granted to Mr. McCarten under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse pursuant to the following schedule: two-thirds of the restricted shares shall vest on August 1, 2006 and the remaining one-third shall vest on July 7, 2007. In accordance with the SEC rules, this does not include our obligation to deliver 112,500 shares of common stock underlying the deferred stock units issued to Mr. McCarten in connection with our initial public offering.

(3) In addition to the 30,000 shares of our common stock that Mr. Williams purchased from us directly at the same price and at the same time as investors in our July 2004 private placement, such shares include 210,000 shares of restricted stock granted to Mr. Williams under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse pursuant to the following schedule: two-thirds of the restricted shares shall vest on August 1, 2006 and the remaining one-third shall vest on July 7, 2007. In accordance with the SEC rules, this does not include our obligation to deliver 105,000 shares of common stock underlying the deferred stock units issued to Mr. Williams in connection with our initial public offering.

(4) In addition to the 10,000 shares of our common stock that Mr. Brugger purchased from us directly at the same price and at the same time as investors in our July 2004 private placement, such shares include 165,000 shares of restricted stock granted to Mr. Brugger under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse pursuant to the following schedule: two-thirds of the restricted shares shall vest on August 1, 2006 and the remaining one-third shall vest on July 7, 2007. In accordance with the SEC rules, this does not include our obligation to deliver 82,500 shares of common stock underlying the deferred stock units issued to Mr. Brugger in connection with our initial public offering.

(5) In addition to the 10,000 shares of our common stock that Mr. Schecter purchased from us directly at the same price and at the same time as investors in our July 2004 private placement, such shares include 75,000 shares of restricted stock granted to Mr. Schecter under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse pursuant to the following schedule: two-thirds of the restricted shares shall vest on August 1, 2006 and the remaining one-third shall vest on July 7, 2007. In accordance with the SEC rules, this does not include our obligation to deliver 57,500 shares of common stock underlying the deferred stock units issued to Mr. Schecter in connection with our initial public offering.

(6) Includes 15,000 shares of restricted stock granted to Mr. Mahoney under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse pursuant to the following schedule: two-thirds of the restricted shares shall vest on August 1, 2006 and the remaining one-third shall vest on July 7, 2007. In accordance with the SEC rules, this does not include our obligation to deliver 25,000 shares of common stock underlying the deferred stock units issued shares of deferred stock promised to Mr. Mahoney in connection with our initial public offering.

(7) Based solely on information contained in a Schedule 13G jointly filed by Marriott Hotel Services, Inc. and Marriott International, Inc. with the SEC on June 6, 2005. The address of both Marriott Hotel Services, Inc. and Marriott International, Inc. is 10400 Fernwood Road, Bethesda, Maryland 20817. Marriott Services, Inc. and Marriott International, Inc. share dispositive power and voting power with respect to these shares.

- (8) Based solely on information contained in a Schedule 13G filed by Capital Growth Management Limited Partnership with the SEC on February 9, 2006. The address for Capital Growth Management Limited Partnership is One International Place, Boston, Massachusetts 02110. Capital Growth Management Limited Partnership has sole voting power and shared dispositive power with respect to these shares.
- (9) Based solely on information contained in a Schedule 13G filed by Wellington Management Company, LLP with the SEC on February 14, 2006. The address for Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109. Wellington Management Company, LLP has shared voting power with respect to 2,510,000 and shared dispositive power with respect to 3,783,400 shares. Wellington Management Company, LLP does not have sole voting power or sole dispositive power with respect to any of these shares.
- (10) Based solely on information contained in a Schedule 13G filed by Lord, Abbett & Co. LLC with the SEC on February 1, 2006. The address for Lord, Abbett & Co. LLC is 90 Hudson Street, Jersey City, New Jersey 07302. Lord, Abbett & Co. LLC has sole voting power and sole dispositive power with respect to these shares.
- (11) Based solely on information contained in a Schedule 13G jointly filed by Cohen & Steers, Inc. and Cohen & Steers Capital Management, Inc. with the SEC on February 10, 2006. The address of both Cohen & Steers, Inc. and Cohen & Steers Capital Management, Inc. is 280 Park Avenue, 10th Floor, New York, New York 10017. Each of Cohen & Steers, Inc. and Cohen & Steers Capital Management, Inc. has sole voting power with respect to 3,597,200 shares and sole dispositive power with respect to 3,672,800 shares. Cohen & Steers, Inc. and Cohen & Steers Capital Management, Inc. do not shared voting power or shared dispositive power with respect to any of these shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange (NYSE). Our officers and directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us and written representations that no other reports were required during the fiscal year ended December 31, 2005, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than ten percent beneficial owners were satisfied except the two sets of reports that were due by each of our executive officers in connection with the dividend re-investment feature of the deferred common stock. In January 2006, we realized that this dividend re-investment feature did not qualify for the dividend reinvestment exemption contained in the Form 4 filing requirement, so we filed, on a delayed basis, the Form 4s for each executive officer for each of the two dividends paid in 2005.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Director Compensation

Cash Compensation. As compensation for serving on our Board of Directors in 2005, each of our non-employee directors received an annual fee of \$20,000 and an additional fee of \$1,500 for each meeting of our Board of Directors or of one of its committees that they attended. For attendance at each telephonic meeting, each of our non-employee directors received \$750. Committee chairpersons received an additional \$5,000 annual fee, with the exception of our Audit Committee chairperson, who received an additional \$15,000 annual fee. Committee chairpersons were paid an additional \$1,000 per committee meeting that they chaired. Our Lead Director received an additional \$10,000 annual fee. Directors who are also employees are not separately compensated for services as a director.

Equity Compensation. Each of our non-employee directors received a grant of 5,000 unrestricted shares of common stock in connection with the completion of our July 2004 private placement and 2,500 unrestricted shares of common stock in connection with the completion of our initial public offering. In addition, each of our non-employee directors received 1,000 unrestricted shares of common stock for his or her service on our Board of Directors in 2005.

Expenses and Perquisites. We reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board of Directors and committee meetings. In addition, each of the six members of our Board of Directors holds a Marriott Platinum 5-Star Card, which entitles the board member, and their guests, to unlimited lodging, meals, parking and certain other expenses at all hotels and resorts managed or franchised by Marriott. We reimburse the director for all expenses incurred on these Marriott Platinum 5-Star Cards and all of such reimbursement was considered taxable income to the member who stayed at the hotel or resort. We have a policy of not reimbursing any director for any amounts above \$10,000 per year that are charged on the Marriott Platinum 5-Star Card. In 2005, we reimbursed Mr. McCarten for \$3,156, Mr. Altobello for \$1,833 and Mr. Ray for \$932, for charges incurred on their respective Marriott Platinum 5-Star Cards.

Compensation Changes in 2006. In 2006, following an extensive review of compensation practices among comparable public real estate investment companies, our Board of Directors approved changes to non-employee director compensation that include the elimination of (i) the additional \$1,000 fee paid to committee chairpersons for each committee meeting that they chair and (ii) the annual grant of 1,000 unrestricted shares of our common stock. In lieu of receiving the annual grant of 1,000 unrestricted shares, each non-employee director will receive shares of deferred common stock with a market value of \$25,000 (with the market value of those shares being determined based on the closing sale price of our common stock at the time such shares are issued). These shares are fully-vested at grant, but will not be distributed until three years from the date of grant. In addition, our Board of Directors voted to approve the grant of common stock with a market value of \$50,000 to any future directors on the date they are first elected or appointed to our Board of Directors.

The following chart summarizes the fees paid to our non-management directors in 2005 (Messrs. McCarten and Williams receive no separate compensation for being members of our Board of Directors):

	Annual Fee for Board Membership	Attendance Fees for Board Meetings	Annual Fee for Committee Chairs & Lead Director	Attendance Fees for Committee Meetings	Annual Stock Grant (1)	Special IPO Stock Grant (1)	5-Star Perquisite Value	Total Amounts Paid
W. Robert Grafton (Lead Director & Audit Committee Chairperson)	\$ 20,000	\$ 10,500	\$ 25,000	\$ 16,750	\$ 11,700	\$ 26,250		\$ 110,200
Daniel J. Altobello (Compensation Committee Chairperson)	\$ 20,000	\$ 10,500	\$ 5,000	\$ 19,750	\$ 11,700	\$ 26,250	\$ 1,833	\$ 95,033
Maureen L. McAvey (Director)	\$ 20,000	\$ 10,500	\$ 0	\$ 10,500	\$ 11,700	\$ 26,250		\$ 78,950
Gilbert T. Ray (Nomination and Governance Committee Chairperson)	\$ 20,000	\$ 10,500	\$ 5,000	\$ 13,250	\$ 11,700	\$ 26,250	\$ 932	\$ 87,632

(1) The value of the stock granted to the directors is equal to the closing sale price of our common stock on the NYSE on the date that such stock was granted.

Stock Ownership Guideline. Our Board of Directors requires each independent director to acquire and at all times thereafter own 11,000 shares of common stock within five years of first being elected to our Board of Directors.

Executive Compensation

The following table sets forth the compensation paid for 2004 and 2005 to the Chairman of our Board of Directors and Chief Executive Officer and each of the four other named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards		
		Salary(\$)	Bonus(\$)	Securities Underlying Options(#)	Restricted Stock/Deferred Stock Unit Awards (\$)(2)	All Other Compensation (\$)(3)
William W. McCarten	2005	500,000	612,500		1,181,250	27,997
Chairman and Chief Executive Officer (5)	2004 (1)	250,000	293,750		2,250,000	
John L. Williams	2005	400,000	390,000		1,102,500	18,000
President and Chief Operating Officer (6)	2004 (1)	200,000	188,000		2,100,000	
Mark W. Brugger	2005	239,112	179,335		866,250	16,215
Executive Vice President and Chief Financial Officer (7)	2004 (1)	117,500	82,838		1,650,000	
Michael D. Schecter	2005	218,762	164,072		603,750	8,751
General Counsel and Corporate Secretary (8)	2004 (1)	107,500	80,625		750,000	
Sean M. Mahoney	2005	142,041	49,715		262,500	8,316
Chief Accounting Officer and Corporate Controller (9)	2004 (1)	58,333	19,602		150,000	30,000 (4)