

STRATEGIC HOTELS & RESORTS, INC  
Form DEF 14A  
March 26, 2009  
Table of Contents

**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, as amended**

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 under Rule 14a-12

**Strategic Hotels & Resorts, Inc.**

(Name of Registrant as Specified in its Charter)

---

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Edgar Filing: STRATEGIC HOTELS & RESORTS, INC - Form DEF 14A

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

---

2) Aggregate number of securities to which transaction applies:

---

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):

---

4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:

---

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

**Table of Contents**

200 W. Madison Street

Suite 1700

Chicago, Illinois 60606

March 26, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 annual meeting of stockholders of Strategic Hotels & Resorts, Inc., which will be held at 10:00 a.m., Central Time, on Thursday, May 21, 2009, at the Fairmont Chicago Hotel, 200 N. Columbus Drive, Chicago, Illinois 60611. At the annual meeting, stockholders will be asked to elect directors, ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2009 and act upon such other business as may properly come before the meeting, all as described in the attached notice of annual meeting of stockholders and proxy statement.

This year, we will be using the new Notice and Access method of providing proxy materials to you via the Internet. We believe that this new process should provide you with a convenient and quick way to access your proxy materials and vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials. On or about April 9, 2009, we will mail to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and our 2008 annual report and vote electronically via the Internet. The Notice also contains instructions on how to receive a paper copy of your proxy materials.

It is important that your shares be represented at the meeting and voted in accordance with your wishes. Whether or not you plan to attend the meeting, we urge you to vote electronically via the Internet or by telephone, or, if you requested paper copies of the proxy materials, please complete, sign, date and return the accompanying proxy in the enclosed postage-paid envelope as promptly as possible so that your shares will be voted at the annual meeting. This will not limit your right to vote in person or to attend the meeting.

Sincerely,

/s/ William A. Prezant  
William A. Prezant  
*Chairman of the Board*

**Table of Contents**

200 W. Madison Street

Suite 1700

Chicago, Illinois 60606

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 21, 2009**

To our Stockholders:

The annual meeting of stockholders of Strategic Hotels & Resorts, Inc., a Maryland corporation (the Company), will be held at the Fairmont Chicago Hotel, 200 N. Columbus Drive, Chicago, Illinois 60611 on Thursday, May 21, 2009, at 10:00 a.m., Central Time, for the following purposes:

- 1) To elect as directors the seven nominees identified in the attached proxy statement to serve until our next annual meeting of stockholders and until such directors' successors are duly elected and qualify;
- 2) To consider and vote upon the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and
- 3) To transact such other business as may properly come before the annual meeting or any postponement or adjournment thereof.

Only stockholders of record at the close of business on March 25, 2009, the record date for the annual meeting, will be entitled to notice of and to vote at the annual meeting.

Stockholders, whether or not they expect to be present at the meeting, are requested to vote their shares electronically via the Internet or by telephone or by completing and returning the proxy card if you requested paper proxy materials. Voting instructions are provided in the Notice of Internet Availability of Proxy Materials, or, if you requested printed materials, the instructions are printed on your proxy card and included in the accompanying proxy statement. Any person giving a proxy has the power to revoke it at any time prior to the meeting and stockholders who are present at the meeting may withdraw their proxies and vote in person.

By Order of the Board of Directors

/s/ Paula C. Maggio  
Paula C. Maggio, Secretary

Chicago, Illinois

March 26, 2009

**Table of Contents**

**STRATEGIC HOTELS & RESORTS, INC.**

**200 W. Madison Street**

**Suite 1700**

**Chicago, Illinois 60606**

**PROXY STATEMENT**

**FOR**

**2009 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 21, 2009**

This proxy statement is being furnished by and on behalf of our board of directors in connection with the solicitation of proxies to be voted at the 2009 annual meeting of stockholders. The date, time and place of the annual meeting are:

**Date:** May 21, 2009  
**Time:** 10:00 a.m., Central Time  
**Place:** Fairmont Chicago Hotel  
200 N. Columbus Drive, Chicago, Illinois 60611

At the annual meeting, stockholders will be asked to:

Elect the following nominees as our directors to serve until our next annual meeting of stockholders and until such directors successors are duly elected and qualify: Robert P. Bowen, Kenneth Fisher, Laurence S. Geller, James A. Jeffs, Richard D. Kincaid, Sir David M.C. Michels and William A. Prezant ( Proposal 1 );

Consider and vote upon the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, referred to herein as our independent auditors, for the fiscal year ending December 31, 2009 ( Proposal 2 ); and

Transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof. Our principal offices are located at 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606, and our telephone number is (312) 658-5000.

The Notice of Internet Availability of Proxy Materials, this proxy statement and the enclosed proxy card, and our 2008 annual report will be available to stockholders of record on April 9, 2009.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>GENERAL INFORMATION ABOUT THE MEETING</u>	3
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	6
<u>Board of Directors</u>	6
<u>Nominees for Election as Directors</u>	6
<u>Vote Required; Recommendation</u>	8
<u>Board of Directors; Committees</u>	8
<u>Corporate Governance</u>	11
<u>Compensation Committee Interlocks and Insider Participation</u>	13
<u>EXECUTIVE COMPENSATION</u>	14
<u>Executive Officers</u>	14
<u>Compensation Discussion and Analysis</u>	15
<u>Compensation Committee Report</u>	24
<u>2008 Summary Compensation Table</u>	25
<u>2008 Grants of Plan-Based Awards</u>	26
<u>2008 Outstanding Equity Awards at Fiscal Year-End</u>	27
<u>2008 Option Exercises and Stock Vested</u>	28
<u>2008 Nonqualified Deferred Compensation Plan</u>	29
<u>2008 Director Compensation</u>	29
<u>Employment Agreements and Post-Termination Payments</u>	30
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	38
<u>STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	38
<u>TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS</u>	40
<u>PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u>	42
<u>Principal Accounting Firm Fees</u>	42
<u>Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditors</u>	42
<u>Vote Required; Recommendation</u>	43
<u>Report of the Audit Committee</u>	43
<u>ANNUAL REPORT</u>	44
<u>OTHER MATTERS</u>	44
<u>STOCKHOLDER PROPOSALS</u>	44

## **Table of Contents**

### **GENERAL INFORMATION ABOUT THE MEETING**

In this section of the proxy statement, we answer some common questions regarding the annual meeting and the voting of shares at the annual meeting.

#### **Where and when will the annual meeting be held?**

The date, time and place of the annual meeting are:

May 21, 2009

10:00 a.m. (Central Time)

Fairmont Chicago Hotel

200 N. Columbus Drive

Chicago, Illinois 60611

#### **Why did I receive a notice in the mail regarding the Internet availability of proxy materials this year instead of a paper copy of proxy materials?**

The United States Securities and Exchange Commission (the "SEC") recently approved "Notice and Access" rules relating to the delivery of proxy materials over the Internet. These rules permit us to furnish proxy materials, including this proxy statement and our annual report, to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice of Internet Availability of Proxy Materials (the "Notice"), which was mailed to our stockholders, will instruct you as to how you may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may submit your proxy on the Internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice. Any request to receive proxy materials by mail or email will remain in effect until you revoke it.

#### **Can I vote my shares by filling out and returning the Notice?**

No. The Notice identifies the items to be voted on at the annual meeting, but you cannot vote by marking the Notice and returning it. The Notice provides instructions on how to vote by Internet, by requesting and returning a paper proxy card, or by submitting a ballot in person at the meeting.

#### **Why did you send me the Notice?**

We sent you the Notice regarding this proxy statement because our board of directors is asking for your proxy to vote your shares at the annual meeting. We have summarized information in this proxy statement that you should consider in deciding how to vote at the annual meeting. You don't have to attend the annual meeting in order to vote your shares. Instead, you may simply vote your shares electronically via the Internet or by telephone or by completing and returning the proxy card if you requested paper proxy materials. Voting instructions are provided in the Notice, or, if you requested printed materials, the instructions are printed on your proxy card and included in the accompanying proxy statement.

#### **Who can vote?**

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on March 25, 2009, the record date determining the stockholders who are entitled to vote at the annual meeting. As of March 25, 2009, there were a total of 74,963,830 shares of common stock outstanding and entitled to vote at the annual meeting. You get one vote for each share of common stock that you own.



## **Table of Contents**

### **How are votes counted?**

We will hold the annual meeting if stockholders representing the required quorum of shares of common stock entitled to vote either authorize their proxy online or telephonically, sign and return their proxy cards or attend the annual meeting. A majority of the shares of common stock entitled to vote at the annual meeting present in person or by proxy constitutes a quorum. If you authorize your proxy online or telephonically or sign and return your proxy card, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated on the proxy card.

If you abstain or withhold votes for purposes of the vote on the election of directors or the ratification of the appointment of Deloitte & Touche LLP as our independent auditors, your abstention or withheld vote will not be counted as votes cast and will have no effect on the result of such votes.

### **What is the required vote for approval?**

The election of each of our nominees for director requires a plurality of the votes cast at the annual meeting and the ratification of the appointment of Deloitte & Touche LLP as our independent auditors requires a majority of the votes cast at the annual meeting on such matters.

### **How do I vote by proxy?**

Follow the instructions on the Notice to vote your shares electronically via the Internet or by telephone or by completing and returning the proxy card if you requested paper proxy materials to vote on the matters to be considered at the annual meeting. The individuals named and designated as proxies will vote your shares as you instruct. You have the following choices in completing your voting:

You may vote on each proposal, in which case your shares will be voted in accordance with your choices.

In voting on directors, you can either vote **FOR** all directors or withhold or abstain your vote on all or certain directors specified by you.

You may abstain on the proposal to ratify the appointment of Deloitte & Touche LLP as our independent auditors, in which case no vote will be recorded.

You may return a signed proxy card without indicating your vote on any matter, in which case the designated proxies will vote to elect all seven nominees as directors, and ratify the appointment of Deloitte & Touche LLP as our independent auditors.

### **How can I authorize my proxy online or via telephone?**

In order to authorize your proxy online or via telephone, go to [www.proxyvote.com](http://www.proxyvote.com) or call the toll-free number reflected on the Notice, and follow the instructions. Please have your Notice in hand when accessing the site, as it contains a 12-digit control number required for access. You can authorize your proxy via the Internet or by phone at any time prior to 11:59 p.m. Eastern Time, May 20, 2009, the day before the annual meeting.

If you requested paper proxy materials, you may also refer to the proxy card enclosed herewith for instructions. If you choose not to authorize your proxy electronically, please complete and return the paper proxy card in the pre-addressed, postage-paid envelope provided herewith.

### **What if other matters come up at the annual meeting?**

The only matters we now know of that will be voted on at the annual meeting include the proposals we have described in this proxy statement: the election of seven directors and the proposal to ratify the appointment of Deloitte & Touche LLP as our independent auditors for 2009. If other matters are properly presented at the annual meeting, the designated proxies will vote your shares in their discretion.



## **Table of Contents**

### **Can I change my previously authorized vote?**

Yes. At any time before the vote on a proposal, you can change your vote either by executing or authorizing, dating, and delivering to us a new proxy via the Internet, telephone or mail prior to the annual meeting, by giving us a written notice revoking your proxy card or by attending the annual meeting and voting your shares in person. Your attendance at the annual meeting will not, by itself, revoke a proxy previously given by you. We will honor the latest dated proxy.

Proxy revocation notices or new proxy cards should be sent to Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606, Attention: Secretary.

### **Can I vote in person at the annual meeting rather than by authorizing a proxy?**

Although we encourage you to authorize your proxy to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person even if you authorized your proxy electronically or telephonically or submitted a proxy card.

### **Will my shares be voted if I do not provide my proxy?**

Your shares may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the New York Stock Exchange rules to cast votes on certain routine matters if they do not receive instructions from their customers. The election of directors and the proposal to ratify the appointment of Deloitte & Touche LLP as our independent auditors are considered routine matters for which brokerage firms may vote unvoted shares.

### **What do I do if my shares are held in street name ?**

If your shares are held in the name of your broker, a bank or other nominee in street name, that party will give you instructions for voting your shares. If your shares are held in street name and you would like to vote your shares in person at the annual meeting, you must contact your broker, bank or other nominee to obtain a proxy form from the record holder of your shares.

### **Who will count the votes?**

Representatives of Broadridge Financial Services, Inc. will count the votes and will serve as the independent inspector of election.

### **Who pays for proxy solicitation?**

We do. In addition to sending you these materials, some of our employees or agents may contact you by telephone, by mail, or in person. None of our employees will receive any extra compensation for doing this. We may engage an outside firm to solicit votes and the cost to us of engaging such a firm is estimated to be \$8,500 plus reasonable out-of-pocket expenses.

**If you have additional questions about this proxy statement or the meeting or would like additional copies of this document or our annual report on Form 10-K for the year ended December 31, 2008, without charge, please contact: Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606, Attention: General Counsel.**

**Table of Contents****PROPOSAL 1****ELECTION OF DIRECTORS****Board of Directors**

There are currently eight directors on our board of directors. The Company's board of directors has reduced the number of directors that serve on the board of directors to seven, effective as of the date of the annual meeting. Seven nominees will be proposed for election as directors at the annual meeting to hold office until our next annual meeting of stockholders and until their successors are duly elected and qualify. All seven nominees currently serve on our board of directors.

On March 25, 2009, Michael W. Brennan, who has served as a director since 2005, advised the Company that he plans to retire from the board of directors, effective at the annual meeting, due to the need to focus his energies and attention on the founding of his new company, Brennan Investment Group, LLC. As a result, Mr. Brennan will not stand for re-election at the annual meeting. Mr. Brennan may provide strategic advice or consulting services to the Company in the future.

All of the nominees are willing to serve as directors, but if any of them should decline or be unable to act as a director, the individuals designated in the proxy cards as proxies will exercise the discretionary authority provided to vote for the election of such substitute nominee selected by our board of directors, unless the board alternatively acts to reduce the size of the board or maintain a vacancy on the board in accordance with our bylaws. The board of directors has no reason to believe that any such nominees will be unable or unwilling to serve.

In determining the independence of our directors, our board of directors considered transactions, relationships and arrangements between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. Our board of directors has determined that Robert P. Bowen, Michael W. Brennan, Kenneth Fisher, James A. Jeffs, Richard D. Kincaid and William A. Prezant are independent under the criteria for independence set forth in the listing standards of the New York Stock Exchange, and therefore, upon the election of all seven nominees, we will continue to meet the New York Stock Exchange requirement for a majority of independent directors serving on the board of directors. In addition, Edward Coppola, who retired from our board of directors in January 2009, had previously been determined to be independent under the criteria for independence set forth in the listing standards of the New York Stock Exchange.

**Nominees for Election as Directors**

The names, ages as of March 25, 2009, and existing positions of the nominees are as follows:

<b>Name</b>	<b>Age</b>	<b>Office or Position Held</b>	<b>Director Since</b>
William A. Prezant	62	Chairman of the Board of Directors	2006
Robert P. Bowen	67	Director	2004
Kenneth Fisher	50	Director	2007
Laurence S. Geller	61	Director, President and Chief Executive Officer	2004
James A. Jeffs	56	Director	2006
Richard D. Kincaid	47	Director	2009
Sir David M.C. Michels	62	Director	2006
<b>William A. Prezant</b>			

William A. Prezant has been a partner in the law firm Prezant & Mollath, practicing law in California and Nevada, since 1990. He serves on the board of directors of MacGregor Golf Company, Forward Management (a financial services company), and You Technologies, Inc. (a digital marketing and biometric patent portfolio). Mr. Prezant's community activities include serving on the California/Nevada Advisory Board for the Wilderness Society and the Advisory Council of the Nevada Museum of Art. Mr. Prezant holds a Bachelor of Arts Degree from the University of Southern California and a Juris Doctorate from Georgetown Law Center.

## **Table of Contents**

### **Robert P. Bowen**

Robert P. Bowen retired as a Partner of Arthur Andersen LLP in 1999. From 1980 to 1998, he was partner-in-charge of the audit practice of Arthur Andersen's Memphis and Little Rock offices. For more than 25 years, he specialized in the hospitality and entertainment industry and was a member of Arthur Andersen's worldwide hospitality industry team. Mr. Bowen joined Arthur Andersen in 1968 after receiving his Master of Business Administration degree from Emory University.

### **Kenneth Fisher**

Kenneth Fisher has been a senior partner in Fisher Brothers, a New York City commercial real estate firm, since April 2003, and was a partner of Fisher Brothers from 1991 to April 2003. Mr. Fisher has been the chairman and chief executive officer of Fisher House Foundation, Inc., a not-for-profit organization that constructs homes for families of hospitalized military personnel and veterans since May 2003 and served as vice chairman of Fisher House Foundation from May 2001 to May 2003. Mr. Fisher is a 29-year veteran of the real estate community. Mr. Fisher also is a member of the executive committee of the City Investment Fund, LP, a real estate investment fund, and a member of the executive committee of the Real Estate Board of New York's Board of Governors. In 2007, Mr. Fisher was appointed to the President's Commission on Care for America's Returning Wounded Warriors.

### **Laurence S. Geller**

Laurence S. Geller has served as the President, Chief Executive Officer and Director of Strategic Hotels and Resorts, Inc. since the Company's initial public offering in 2004. In 1997, Mr. Geller founded Strategic Hotel Capital, L.L.C. and served as its Chief Executive Officer. Prior to founding Strategic Hotel Capital, L.L.C., Mr. Geller was Chairman and Chief Executive Officer of Geller & Co., a gaming, tourism and lodging advisory company he founded in 1989. Geller & Co. specialized in domestic and international hotel, corporate and real estate development, financing and structuring. Previously, Mr. Geller held positions as Executive Vice President and Chief Operating Officer of Hyatt Development Corporation, Senior Vice President of Holiday Inns, Inc. and Director of Grand Metropolitan Hotels in London. Mr. Geller is a former Vice Chairman of the Urban Land Institute's Commercial and Retail Council and has held the position of Chairman of the Industry Real Estate Financing Advisory Council of the American Hotel and Lodging Association. Mr. Geller serves on the boards of NAREIT and Children's Memorial Hospital and serves as a member of its physical facilities sub-committee. He also serves on the President's Council of the Midwest Region of the U.S. Fund for UNICEF, the Chicago 2016 Olympic Committee, and the National Leadership Council for the American Jewish Committee. Mr. Geller is Chair of The Churchill Centre and serves on its Executive Committee. Mr. Geller is Ambassador for North America for the Hotel and Catering Institutional Management Association of the U.K. Mr. Geller is a graduate of Ealing Technical College's school of hotel management and catering. Mr. Geller has over 40 years of experience in the lodging industry and has received numerous awards for his service to the lodging industry and for his civic and philanthropic endeavors.

### **James A. Jeffs**

James A. Jeffs is the Director and Executive Co-Chairman of Max Petroleum Plc, a company listed on both the London Stock Exchange and the Frankfurt Stock Exchange. Mr. Jeffs is a Director of South Oil Company and was also a Director of Magnum Oil, both based in Russia. Mr. Jeffs has served since 1994 as Managing Director and Chief Investment Officer of The Whittier Trust Company, a trust and investment management company headquartered in South Pasadena, CA. Mr. Jeffs was the former Chairman of the board of directors of Whittier Energy Corporation, an oil and gas exploration and production company headquartered in Houston, Texas and listed on the NASDAQ. Previously, Mr. Jeffs was Chairman of the Board, Co-Chairman and Chief Executive Officer of Chaparral Resources, Inc. Mr. Jeffs was Chief Investment Officer and Senior Vice President of Trust Services of America from 1988 to 1992, and also President and Chief Executive Officer of TSA Capital Management. Mr. Jeffs also has served on the board of investments of The Los Angeles County Employees Retirement Association.

## **Table of Contents**

### **Richard D. Kincaid**

Richard D. Kincaid is the President and Founder of the BeCause Foundation, a nonprofit corporation that heightens awareness about a number of complex social problems and promotes change through the power of film. Mr. Kincaid is also an active private investor in early stage companies. Until its acquisition by the Blackstone Group in February of 2007, Mr. Kincaid was the president and chief executive officer of Equity Office Properties Trust, a real estate investment trust ( EOP ). Prior to being named President and CEO of EOP in 2003, Mr. Kincaid served as EOP s executive vice president and chief operating officer. Mr. Kincaid has also served as EOPs executive vice president and chief financial officer. Prior to joining EOP in 1995, Mr. Kincaid was senior vice president of finance for Equity Group Investments, Inc. Prior to joining Equity Group Investments, Inc. in 1990, Mr. Kincaid held positions with Barclays Bank PLC and The First National Bank of Chicago. Mr. Kincaid is on the board of directors of Rayonier Inc. (NYSE: RYN), an international REIT that specializes in timber and specialty fibers. He also serves on the board of directors of Vail Resorts (NYSE: MTN), a mountain resort operator. Mr. Kincaid received his master s degree in business administration from the University of Texas, and his bachelor s degree from Wichita State University.

### **Sir David M.C. Michels**

Sir David M.C. Michels currently serves as the Deputy Chairman and Senior Independent Director of Marks & Spencer Plc. Sir David sits on the board of directors of easyJet plc, RAB Capital and Jumeirah Hotels. From June 2000 until February 2006, Sir David was Chief Executive Officer of Hilton Group Plc and from April 1999 to May 2000 he was Chief Executive Officer of Hilton International. Sir David was a non-executive director of Hilton Hotels Corporation from November 2000 to December 2005. He served as Chief Executive Officer of Stakis Plc from May 1991 to March 1999. Sir David has spent 37 years in the leisure industry, primarily in hotels.

### **Vote Required; Recommendation**

The election of a director to the board of directors requires the affirmative vote of a plurality of the votes cast at the annual meeting. **Our board of directors unanimously recommends that you vote for the election of all seven nominees named above.**

### **Board of Directors; Committees**

Our board of directors is currently comprised of Messrs. William A. Prezant, Robert P. Bowen, Michael W. Brennan, Kenneth Fisher, Laurence S. Geller, James A. Jeffs, Richard D. Kincaid and Sir David M.C. Michels.

Our board of directors conducts its business through meetings of the board, actions taken by written consent in lieu of meetings and by the actions of its committees. During the fiscal year ended December 31, 2008, the board of directors held twelve meetings and acted by unanimous written consent seven times. During fiscal year 2008, each incumbent director attended at least 75% of the aggregate number of meetings of the board of directors (while he was a member). During fiscal year 2008, each member of the board of directors attended at least 75% of the meetings of the committees of the board of directors on which he served (while he was a member of such committees). Our corporate governance guidelines provide that the non-management directors shall designate the director who will preside at each executive session of the board and the method by which employees, stockholders or other interested parties can communicate directly with the non-management directors.

The board of directors currently has four standing committees: an audit committee, a compensation committee, a corporate governance and nominating committee and an executive committee.

## **Table of Contents**

**Audit Committee.** The purposes of the audit committee are described in the audit committee charter and include:

assisting with board oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent auditors' qualifications and independence, and (iv) the performance of the independent auditors and our internal audit function; and

preparing an audit committee report as required by the Securities and Exchange Commission, or SEC, for inclusion in our annual proxy statement.

The audit committee is currently comprised of Messrs. Bowen, Jeffs, Kincaid and Prezant, with Mr. Bowen serving as the audit committee's chairman. The audit committee charter is available on our website at [www.strategichotels.com](http://www.strategichotels.com). A copy of our audit committee charter is also available free of charge, upon request directed to Secretary, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606.

The board has determined that each audit committee member has no material relationship with the Company and meets the independence criteria and has the qualifications set forth in the listing standards of the New York Stock Exchange and Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The board of directors has determined that each audit committee member has sufficient knowledge in financial and auditing matters to serve on the audit committee. The board of directors has determined that Mr. Bowen is qualified as an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K under the Exchange Act and has determined that Messrs. Bowen, Brennan, Jeffs, Prezant and Kincaid have the accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange. Our audit committee met eight times during fiscal year 2008 and acted by unanimous written consent one time.

Our board of directors has adopted procedures for reporting concerns under our code of business conduct and ethics and other company policies, including complaints regarding accounting and auditing matters in accordance with Rule 10A-3 under the Exchange Act. The full text of these procedures is attached as an addendum to our code of business conduct and ethics which is available on our corporate website at [www.strategichotels.com](http://www.strategichotels.com).

**Compensation Committee.** The compensation committee's primary duties are described in the compensation committee charter and include:

reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating our chief executive officer's performance in light of those goals and objectives and determining and approving the chief executive officer's compensation level based on this evaluation;

reviewing and approving compensation for executive officers other than our chief executive officer, incentive-compensation and equity-based plans and programs, including the Company's Amended and Restated 2004 Incentive Plan (the "2004 Incentive Plan"), overseeing the activities of the individuals and committees responsible for administering these plans and programs, and discharging any responsibilities imposed on the compensation committee by any of these plans or programs;

approving any new equity compensation plan or any material change to an existing plan where stockholder approval has not been obtained;

in consultation with management, overseeing regulatory compliance with respect to compensation matters;

reviewing and approving severance or similar termination payments proposed to be made to any of our executive officers;





**Table of Contents**

preparing a report for inclusion in our proxy statement for our annual meeting;

preparing and issuing an evaluation of the compensation committee;

reporting to our board of directors on a regular basis, and not less than once per year; and

performing any other duties or responsibilities expressly delegated to the compensation committee by the board of directors from time to time relating to our compensation programs.

The compensation committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the board of directors or management. With respect to compensation consultants retained to assist in the evaluation of CEO or senior executive compensation, this authority is vested in the compensation committee.

The compensation committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the compensation committee or any director or directors. Without limitation on the foregoing, the compensation committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the compensation committee who are (i) Non-Employee Directors for the purposes of Rule 16b-3 under the Exchange Act and (ii) outside directors for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code.

The compensation committee is currently composed of Messrs. Jeffs, Brennan, Fisher and Kincaid, with Mr. Jeffs serving as the compensation committee's chairman. All compensation committee members meet the independence criteria set forth in the listing standards of the New York Stock Exchange. Our compensation committee met ten times during 2008 and acted by unanimous written consent two times.

The compensation committee charter is available on our website at [www.strategichotels.com](http://www.strategichotels.com). A copy of our compensation committee charter is also available free of charge, upon request directed to Secretary, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606.

***Corporate Governance and Nominating Committee.*** The corporate governance and nominating committee's primary purpose and responsibilities are described in the corporate governance and nominating committee charter and include:

identifying individuals qualified to become members of our board of directors and recommending director candidates for election or re-election to our board;

considering and making recommendations to our board of directors regarding board size and composition, committee composition and structure and procedures affecting directors; and

developing and recommending to our board of directors a set of corporate governance principles, and reviewing those principles at least once a year.

The corporate governance and nominating committee is currently comprised of Messrs. Bowen, Brennan, Fisher and Prezant, with Mr. Prezant serving as the corporate governance and nominating committee's chairperson. All corporate governance and nominating committee members meet the independence criteria set forth in the listing standards of the New York Stock Exchange. Our corporate governance and nominating committee met four times during fiscal year 2008 and acted by unanimous written consent one time.

The corporate governance and nominating committee charter is available on our website at [www.strategichotels.com](http://www.strategichotels.com). A copy of our corporate governance and nominating committee charter is also available free of charge, upon request directed to Secretary, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606.



## **Table of Contents**

Written communications submitted by stockholders pursuant to our stockholder communications policy, including recommending the nomination of a person to be a member of our board of directors, will be forwarded to the chair of the corporate governance and nominating committee for consideration. Stockholders may recommend director nominees for consideration by the corporate governance and nominating committee by submitting the names and the following supporting information to our Secretary at: Secretary, Stockholder Nominations, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606. The submissions should include a current resume and curriculum vitae of the candidate and a statement describing the candidate's qualifications and contact information for personal and professional references. The submission should also include the name and address of the stockholder who is submitting the nominee, the number of shares which are owned of record or beneficially by the submitting stockholder and a description of all arrangements or understandings between the submitting stockholder and the candidate. The corporate governance and nominating committee will consider director candidates who have been identified by other directors or our stockholders but has no obligation to recommend such candidates for nomination except as may be required by contractual obligation of the Company.

In selecting or recommending candidates for selection to our board, including nominees recommended by stockholders, the corporate governance and nominating committee shall take into consideration the following criteria, which are set forth in our corporate governance guidelines, and such other factors as the corporate governance and nominating committee deems appropriate:

personal qualities and characteristics, accomplishments and reputation in the business community;

current knowledge and contacts in the communities in which we do business and in our industry or other industries relevant to our business;

ability and willingness to commit adequate time to board and committee matters;

the fit of the individual's skills and personality with those of other directors and potential directors in building a board that is effective, collegial and responsive to our needs; and

diversity of viewpoints, background, experience and other demographics.

The corporate governance and nominating committee is authorized, in its sole discretion, to engage outside search firms and consultants to assist with the process of identifying and qualifying candidates and has the authority to negotiate the fees and terms of such retention.

***Executive Committee.*** The executive committee's primary purpose and responsibilities are to act on behalf and in the place of our board of directors in the management of our business and affairs upon express delegation by our board of directors. The executive committee is currently comprised of Messrs. Bowen, Geller, Jeffs and Prezant, with Mr. Prezant serving as the executive committee's chairperson. Our executive committee met one time during fiscal year 2008 and did not act by unanimous written consent in performing its functions.

## **Corporate Governance**

***Code of Business Conduct and Ethics.*** We have adopted a written code of ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. This code of business conduct and ethics is designed to comply with SEC regulations and New York Stock Exchange listing standards related to codes of conduct and ethics and is posted on our corporate website at [www.strategichotels.com](http://www.strategichotels.com). A copy of our code of business conduct and ethics is also available free of charge, upon request directed to Secretary, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606.

***Corporate Governance Guidelines.*** We have also adopted written corporate governance guidelines to advance the functioning of our board of directors and its committees and to set forth our board of directors' expectations as to how it should perform its functions. Our corporate governance guidelines are posted on our



## **Table of Contents**

corporate website at [www.strategichotels.com](http://www.strategichotels.com). A copy of our corporate governance guidelines is also available free of charge, upon request directed to Secretary, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606.

***Stockholder Communications Policy.*** We have adopted procedures for employees, stockholders and other interested parties to communicate their concerns regarding accounting, internal accounting controls or auditing matters to the audit committee and other matters to non-management directors or our board of directors as a group. Our code of business conduct and ethics requires employees to report such concerns.

All such concerns may be communicated to the Secretary by written correspondence directed to Secretary, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606.

Employees, stockholders and other interested parties may communicate concerns regarding questionable accounting or auditing matters to the Secretary on a confidential and anonymous basis. The Secretary will distribute (i) all communications regarding accounting, internal accounting controls or auditing matters to the audit committee prior to each meeting of the audit committee, (ii) all other communications to non-management directors prior to each executive session of non-management directors and (iii) all communications to our entire board of directors prior to the next scheduled meeting of our board. If it is unclear whether a communication involves accounting or auditing matters or if it involves both accounting or auditing matters and other matters, the Secretary will direct such communication to both the audit committee and non-management directors, with a note to that effect. In each case (and except as the audit committee or non-management directors may otherwise request), the Secretary will provide original copies or records of all communications. However, depending on the length and number of communications received, the Secretary may provide only a summary of the communications along with the original copy or record of any communications deemed particularly important. The original copies or records of all communications will be available to the addressee upon request. The Secretary will maintain a log of each communication received, the date such communication was distributed to the audit committee, non-management directors or board of directors (and to which of these it was distributed) and whether it was distributed in summary or original form.

The addressee of the communication will determine whether any action or response is necessary or appropriate in respect of a communication. If so, they will take or direct such action as they deem appropriate. Such action may include engaging outside advisers, for which funding will be available. The determinations in respect of each communication and any further action taken will be recorded in the log maintained by the Secretary. These determinations may be recorded based on standard categories, which may include: the communication is misdirected (such as a communication involving only an employment dispute); no further action required, because the communication can be analyzed on its face; and further action required (with a record of the action taken and its outcome). The Secretary or any other person designated by the audit committee or non-management directors will report on the status of any further action directed by the audit committee or non-management directors on a quarterly basis.

The full text of the stockholder communications policy is available on our corporate website at [www.strategichotels.com](http://www.strategichotels.com). A copy of our stockholder communications policy is also available free of charge, upon request directed to Secretary, Strategic Hotels & Resorts, Inc., 200 W. Madison Street, Suite 1700, Chicago, Illinois 60606.

***Director Attendance at Annual Meeting of Stockholders.*** We do not have a formal policy regarding attendance by directors at our annual meeting of stockholders but invite and encourage all directors to attend. We make every effort to schedule our annual meeting of stockholders at a time and date to permit attendance by directors, taking into account the directors' schedules and the timing requirements of applicable law. At our last annual meeting, which was held on May 22, 2008, seven directors attended in person.

**Table of Contents**

**Compensation Committee Interlocks and Insider Participation**

From January 1, 2008 to May 22, 2008, the compensation committee of the board of directors was comprised of Messrs. Coppola, Jeffs and Prezant. From May 22, 2008 to December 31, 2008, the compensation committee was comprised of Messrs. Brennan, Coppola, Jeffs and Prezant. None of the compensation committee's members was employed by us as an officer or employee during or prior to 2008. No compensation committee member had any interlocking relationships requiring disclosure under applicable rules and regulations.

**For a description of certain relationships and transactions with members of our board of directors or their affiliates, see Transactions With Related Persons, Promoters and Certain Control Persons beginning on page 40.**

---

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Executive Officers**

The following sets forth the positions, ages as of March 25, 2009, and selected biographical information for our executive officers who are not directors:

**James E. Mead**

James E. Mead, age 49, has served as our Executive Vice President and Chief Financial Officer since 2004. Prior to joining us in 2004, Mr. Mead served as chief financial officer of Irvine Apartment Communities (IAC), where his responsibilities included strategic planning, fund raising, accounting and oversight of property operations. Mr. Mead joined IAC from The Irvine Company, where he was vice president of corporate finance and instrumental in the initial public offering of that company. He was formerly a vice president in the real estate investment banking group of JP Morgan. Mr. Mead earned his Bachelor of Science in engineering from Tulane University and his Masters of Business Administration from the University of Virginia.

**Richard J. Moreau**

Richard J. Moreau, age 62, has served as our Executive Vice President Asset Management since 2005. Mr. Moreau previously served as our Vice President Asset Management from 1997 to 2003 and Senior Vice President Asset Management from 2003 until 2005. Mr. Moreau is responsible for the asset management of all our properties. Mr. Moreau has been in the hospitality industry for over 30 years in both property and multi-unit operation positions. From 1992 until he joined us in November 1997, Mr. Moreau was a principal in Gremor Hospitality, a hotel asset management company. From 1988 until 1992, he was a principal and Executive Vice President at Inn America Corporation, an independent hotel management company. He was responsible for the day-to-day operations of 22 full service hotels and resorts operating under franchise agreements with Hilton, Sheraton and Holiday Inn. From 1985 until 1988, he was a Vice President of Operations for Hyatt Hotels and Resorts, where he was responsible for the development and implementation of all pre-opening and operating procedures for six prototype Hyatt hotels. From 1972 to 1985, Mr. Moreau worked for The Howard Johnson Company.

**Paula C. Maggio**

Paula C. Maggio, age 40, is the Company's Senior Vice President, Secretary and General Counsel, and has been responsible for oversight of the Company's legal affairs since 2004. Ms. Maggio played a critical role in the Company's initial public offering in 2004 and has subsequently executed a number of significant transactions for the Company. From 2004 to 2007, Ms. Maggio served as the Company's Vice President, Secretary and General Counsel. Upon joining the company's predecessor in December, 2000 and through May, 2004, Ms. Maggio acted as Vice President, Assistant Secretary and Associate General Counsel. Prior to joining the Company's predecessor, Ms. Maggio practiced law with Altheimer & Gray, where she focused primarily on real estate and hospitality law. Ms. Maggio received a Bachelor of Arts and Juris Doctor, cum laude, from the University of Illinois in 1991 and 1994, respectively.

**Stephen M. Briggs**

Stephen M. Briggs, age 50, is the Company's Senior Vice President, Chief Accounting Officer. Mr. Briggs previously served as our Vice President, Controller and Principal Accounting Officer from 2007 until February 2009. Prior to joining the Company in 2007, Mr. Briggs served as the Senior Vice President Asset Strategy/Strategic Planning of Equity Office Properties Trust, a real estate investment trust ( EOP ), where he provided strategic direction and leadership to the accounting, tax, financial reporting, regional finance, lease administration and financial modeling functions. His responsibilities included all external and internal financial

## **Table of Contents**

reporting, including SEC reporting, federal and local income tax compliance, reporting to EOP's audit committee and Sarbanes-Oxley compliance and coordination with external auditors of quarterly and annual audit processes. Prior to that, Mr. Briggs held positions at EOP as Senior Vice President Chief Accounting Officer (2000-2004); Senior Vice President Financial Reporting and Accounting (1999); Vice President Financial Reporting and Accounting (1996-1999) and Vice President Property Accounting (1993-1996). He was formerly a Vice President at VMS Realty Partners and an Auditor at Deloitte, Haskins & Sells. Mr. Briggs is a Certified Public Accountant and is a member of Best Financial Practices Council of the National Association of Real Estate Investment Trust.

## **Compensation Discussion and Analysis**

### **I. Overview**

This Compensation Discussion and Analysis describes the compensation policies and arrangements that are applicable to the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as well as the other executive officers included in the summary compensation table under 2008 Summary Compensation Table on page 25, who are all referred to as named executive officers (NEOs) as such term is defined in Item 402(a) of Regulation S-K.

### **II. Compensation Philosophy & Objectives**

The compensation committee has three primary objectives for our compensation program:

Provide overall levels of compensation that are competitive in order to attract and motivate highly qualified, experienced executives to continue to enhance the interests of the Company and build long-term stockholder value;

Provide annual and long-term incentives that emphasize performance-based compensation, contingent upon achieving company and individual performance goals; and

Create a stockholder value-oriented mentality through the executive compensation programs by having a meaningful portion of compensation comprised of equity-based incentives.

To achieve its objectives, the compensation committee has established a compensation program for NEOs consisting of base salary, annual bonus awards and our long-term incentive, or LTI program. The overall principle guiding executive compensation at our Company is to reward executives for delivering superior performance with a total compensation opportunity towards the 75<sup>th</sup> percentile. The extent to which each executive reaches this level of compensation will vary based on our performance and the individual's performance and experience.

Notwithstanding our overall pay positioning objectives, pay opportunities for specific individuals vary based on a number of factors such as scope of duties, tenure, institutional knowledge and/or difficulty in recruiting a new executive.

As an executive's level of responsibility increases, a greater proportion of his or her total compensation is based on the annual and long-term performance-based incentive compensation and less on base salary. The level and structure of these performance-based incentive elements reflects our variable pay-for-performance philosophy.

### **III. Establishing the Compensation Program**

To assist the compensation committee in meeting its objectives, the compensation committee may engage an outside executive compensation consulting firm to review the key elements of our compensation programs, base pay, annual incentives and long-term incentives, as well as its structure, including design and performance measurements. For the 2008 program, except for those compensation components directly contemplated by the employment agreements for Mr. Geller and Mr. Mead, we continued generally the program implemented shortly after the time of the initial public offering in 2004. The plan consists of base salary, annual bonus awards and the LTI program.





## **Table of Contents**

For computational purposes, we use the National Association of Real Estate Investment Trusts ( NAREIT ) definition of Funds From Operations ( FFO ), with adjustments for items such as gain or loss on extinguishment of debt, foreign currency translation gains or losses, impairment losses, and certain other items of a non-recurring nature. NAREIT defines FFO as net income (computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of real estate property), plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

The compensation committee meets with Mr. Geller to discuss his own compensation package, but ultimately decisions regarding his package are made solely based upon the compensation committee s deliberations, with input from its compensation consultant from time to time. Decisions regarding other executives are made by the compensation committee considering recommendations from Mr. Geller, as well as input from the compensation consultant.

In 2008, the compensation committee engaged Pearl Meyer & Partners to calculate the value of stock options to be awarded to Mr. Mead in March, 2008, and the relative total stockholder return for Mr. Geller and Mr. Mead s performance shares as of December 31, 2007, as further described under Compensation Structure Pay Elements Details LTI Program Awards to Mr. Geller and Mr. Mead beginning on page 21.

The compensation committee also engaged Vivient Consulting ( Vivient ) to perform compensation consulting work to review the LTI program for the NEOs and to assist with appropriately bench-marking the NEOs against their peers as it related to base salary, target bonus opportunity, the LTI program and severance protections. The peer group utilized by Vivient in performing its analysis was established by the compensation committee and Vivient in 2007 and included hotel companies and REITs of similar size or business strategy. The peer group utilized included:

Ashford Hospitality Trust, Inc.

Choice Hotels International, Inc.

FelCor Lodging Trust, Inc.

Gaylord Entertainment

LaSalle Hotel Properties, Inc.

Morgans Hotel Group Co.

Sunstone Hotel Investors, Inc.