

DiamondRock Hospitality Co
Form DEF 14A
March 19, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT of 1934
(Amendment No.)**

Filed by the Registrant ☒ p

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

- ☐ o Preliminary Proxy Statement
- ☐ o Confidential for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ p Definitive Proxy Statement
- ☐ o Definitive Additional Materials
- ☐ o Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

DiamondRock Hospitality Company
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box)

☒ p No fee required

☐ o 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:

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- o 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:

March 19, 2010

Dear Stockholder:

You are cordially invited to attend the 2010 annual meeting of stockholders of DiamondRock Hospitality Company. The annual meeting will be held on Wednesday, April 28, 2010 at 12:00 noon, local time, at the Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland.

The attached proxy statement, accompanied by the notice of the meeting 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, our directors and management team will 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 authorize a proxy to vote your shares 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 you have previously instructed 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,

Mark W. Brugger
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 28, 2010

The 2010 annual meeting of stockholders of DiamondRock Hospitality Company, a Maryland corporation, will be held on Wednesday, April 28, 2010 at 12:00 noon, local time, at the Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland, for the following purposes:

1. To elect directors nominated by our Board of Directors, each to serve for a one-year term and until their respective successors are duly elected and qualify;
2. To ratify the appointment of KPMG LLP as independent auditors of DiamondRock Hospitality Company to serve for 2010; 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 3, 2010. If you do not plan to attend the meeting and vote your shares of common stock in person, please authorize a proxy to vote your shares 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 authorize a proxy 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

William J. Tennis
Corporate Secretary

March 19, 2010

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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 19, 2010 and are furnished in connection with the solicitation of proxies by the Board of Directors of DiamondRock Hospitality Company, a Maryland corporation (DiamondRock or the Company), for use at the 2010 annual meeting of our stockholders to be held on Wednesday, April 28, 2010 at 12:00 noon, local time, at the Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland, and at any adjournments or postponements thereof.

INFORMATION ABOUT THE ANNUAL MEETING

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 nominated by our Board of Directors and ratification of the appointment of KPMG LLP as our independent auditors for 2010.

Attending 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 holder will be asked to present a form of valid government issued picture identification, such as a driver's license or passport.

Voting

If our records show that you were a stockholder of record (i.e., a registered stockholder) as of the close of business on March 3, 2010, 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.

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 legal proxy from the broker, bank or other nominee that holds your shares of common stock of record.

Authorizing a Proxy for Shares Registered Directly in Your Name. If you are a registered stockholder, 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 or the website listed on the proxy card or by signing, dating and mailing the proxy card in the postage-paid envelope provided.

Authorize a Proxy by Telephone. You may authorize a proxy to vote your shares by telephone by calling the toll-free number listed on the accompanying proxy card. Authorizing a proxy by telephone is available 24 hours per day until 11:59 p.m., Eastern Time, on April 27, 2010. When you call, please have your proxy card in hand, and you will receive a series of voice instructions which will allow you to authorize a proxy to vote your shares of common stock. You will be given the opportunity to confirm that your instructions have

been properly recorded. *IF YOU AUTHORIZE A PROXY BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.*

Authorize a Proxy by Internet. You also have the option to authorize a proxy to vote your shares via the Internet. The website for authorizing a proxy is printed on your proxy card. Authorizing a proxy by Internet is available 24 hours per day until 11:59 p.m., Eastern Time, on April 27, 2010. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. ***IF YOU AUTHORIZE A PROXY VIA THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.***

Authorize a Proxy by Mail. If you would like to authorize a proxy to vote your shares by mail, mark, sign and date your proxy card and return in the postage-paid envelope provided.

Authorizing a 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 in accordance with your instructions. The broker, bank or other nominee for your shares is required to follow your voting instructions. Accordingly, you will need to follow the directions you receive from your broker, bank or other nominee. Under the current rules of the New York Stock Exchange, or NYSE, if you do not give instructions to your broker, bank or other nominee, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. The ratification of KPMG LLP as our independent registered public accounting firm (proposal two) is considered to be a discretionary item under the NYSE rules and your broker, bank or other nominee will be able to vote on that item even if it does not receive instructions from you. **Starting this year, the uncontested election of directors (proposal one) is a non-discretionary item. If you do not instruct your broker, bank or other nominee how to vote with respect to this item, it may not vote with respect to this proposal and those votes will be counted as broker non-votes.** Broker non-votes are shares that are held in street name by a broker, bank or other nominee that returns a properly executed proxy but does not have discretionary authority to vote on a particular matter.

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 130,051,877 shares of common stock outstanding and entitled to vote at the annual meeting. Votes withheld for director nominees, abstentions or broker non-votes will be counted for purposes of determining whether a quorum is present for the transaction of business at the annual meeting. If a quorum is not present at the scheduled time of the meeting, the chairman may adjourn the meeting to another place, date or time until a quorum is present. The place, date and time of the adjourned meeting will be announced when the adjournment is taken and no other notice will be given unless the adjournment is to a date more than 120 days after the original record date or if, after the adjournment, a new record date is fixed for the adjourned meeting.

Multiple Stockholders Sharing the Same Address

The rules of the Securities and Exchange Commission, or 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 the consent of the household stockholders, 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.

Other Matters

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.

Right to Revoke Proxy

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;

authorizing a new proxy by telephone, Internet or proxy card after the date of the previously submitted proxy; or

appearing in person, revoking your proxy 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.

Other Information

For your review, our 2009 annual report, including a copy of our annual report filed with the SEC on Form 10-K (including financial statements for the fiscal year ended December 31, 2009), 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 2009 annual report prior to voting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 28, 2010:

Our proxy statement, form of proxy card and 2009 annual report on Form 10-K for the fiscal year ended December 31, 2009 are available at www.drhc.com/proxy_statements.asp.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Our business is built on relationships with our investors, with the global brand companies we utilize for our hotels and with the management companies who manage our hotels. We are committed to keeping our relationships strong by communicating openly about our business practices, being transparent about our performance and remaining accountable for our conduct. We take our commitments seriously.

At the core of these commitments, of course, is the role of our Board of Directors in overseeing the management of the Company's business and affairs. We believe that an active, informed, independent and involved board is essential for ensuring our integrity, transparency and long-term strength. We believe that our Board of Directors embodies each of those characteristics. We have assembled a Board of Directors that is comprised of individuals with a wide breadth of experience including: a member with several decades of real estate experience; the retired chairman of Andersen Worldwide; a leading corporate lawyer; and a retired chief executive officer, as well as our former Chief Executive Officer, current Chief Executive Officer and our President and Chief Operating Officer.

We follow through on our commitment by implementing what we believe are sound corporate governance practices, including:

Board Structure

All of the members of our Board of Directors are elected annually;

A majority of the members of our Board of Directors are independent of the Company and its management;

All members of the three standing committees of our Board of Directors (Audit, Compensation and Nominating and Corporate Governance) are independent of the Company and its management; and

The independent members of our Board of Directors as well as each of the Committees meet regularly without the presence of management.

Change of Control

We do not have a stockholder rights plan (i.e., poison pill); and

We have opted out of the Maryland business combination and control share acquisition statutes and we may only opt back into such statutes with the affirmative vote of a majority of votes cast by stockholders entitled to vote generally for directors and the affirmative vote of a majority of continuing directors, meaning the initial directors and the directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of continuing directors then serving as directors of the Company.

Stock Ownership Policies

We have adopted policies prohibiting the sale of our common stock by:

each non-executive member of our Board of Directors unless he or she owns a minimum amount of stock of the Company with a value of three times his or her annual cash retainer; and

our Chief Executive Officer and his three direct reports unless he or she owns stock of the Company with a value of between three and four times his or her base salary.

Clawback Policy

We have adopted a policy pursuant to which the Company would seek to recoup any incentive cash compensation paid to an executive based upon financial results that are later restated and would have resulted in a lower incentive cash compensation award.

The Board of Directors and Its Committees

Board of Directors

We are managed under the direction of our Board of Directors. Our directors are: Daniel J. Altobello, Mark W. Brugger, W. Robert Grafton, Maureen L. McAvey, William W. McCarten, Gilbert T. Ray and John L. Williams. Mr. McCarten is the Chairman of our Board of Directors and Mr. Grafton is our lead director. Each of our seven directors stands for election annually.

On December 15, 2009, Mr. McCarten announced his intention to retire as an executive officer and the Executive Chairman of our Board of Directors, effective as of December 31, 2009. Mr. McCarten serves as the non-executive Chairman of our Board of Directors, effective as of January 1, 2010.

Director Independence. Our Board of Directors has adopted Guidelines on Significant Governance Issues (Corporate Governance Guidelines), which provide that a majority of our directors must be independent. In order to qualify as an independent director under our independence standards, a director must be independent within the meaning of the NYSE Corporate Governance Rules, which provides that our Board of Directors must determine whether a director has a material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and whether, within the past three years:

the director was employed by the Company (except on an interim basis);

an immediate family member of the director was an officer of the Company;

the director or an immediate family member is a current partner of a firm that is our internal or external auditor; the director is a current employee of such a firm; the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on our audit within that time;

the director or an immediate family member of the director was employed by a company when a present officer of the 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 the 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 the 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 the Company; whether the director receives any compensation or other fees from the Company, other than director fees; 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 Messrs. Altobello, Grafton and Ray and Ms. McAvey is an independent director under our independence standards and under the NYSE Corporate Governance Rules. These four directors comprise a majority of our seven-member Board of Directors.

Meetings. Our Board of Directors met six times during 2009. Each of our directors attended at least 75% of the meetings of our Board of Directors. 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 2009, all of our directors attended our 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.

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, 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 is comprised of all four of our independent directors: W. Robert Grafton (Chairman), Daniel J. Altobello, Maureen L. McAvey and Gilbert T. Ray. Each member of our Audit Committee is independent as that term is defined by the SEC and the NYSE. 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 under 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 met four times during 2009 and each of the members of the Audit Committee attended at least 75% of the meetings of the Audit Committee.

The Report of our Audit Committee is included in this proxy statement.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee, pursuant to its written charter, is responsible for, among other things: (i) identifying and recommending qualified individuals to become members of our Board of Directors and the appointment of members to its various committees; (ii) overseeing the annual performance evaluation of our Board of Directors; and (iii) 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.

Our Nominating and Corporate Governance Committee is comprised of all four of our independent directors, Gilbert T. Ray (Chairman), Daniel J. Altobello, W. Robert Grafton and Maureen L. McAvey. Our Nominating and Corporate Governance Committee met four times during 2009 and each of the members of the Nominating and Corporate Governance Committee attended at least 75% of the meetings of the Nominating and Corporate Governance Committee.

Compensation Committee. Our Compensation Committee, pursuant to its written charter, among other things, (i) reviews and approves corporate goals and objectives relevant to chief executive officer

compensation, evaluates the chief executive officer's performance in light of those goals and objectives, and determines and approves the chief executive officer's compensation levels based on its evaluation and (ii) reviews and approves or makes recommendations to our Board of Directors with respect to the compensation for our other executive officers and non-employee directors. 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. Our Compensation Committee is comprised of all four of our independent directors, Daniel J. Altobello (Chairman), W. Robert Grafton, Maureen L. McAvey and Gilbert T. Ray. Our Compensation Committee met five times during 2009 and each of the members of our Compensation Committee attended at least 75% of the meetings of our Compensation Committee.

The Report of our Compensation Committee is included in this proxy statement.

Consideration of Director Nominees

Stockholder Recommendations. Stockholders of record of DiamondRock may recommend candidates for inclusion by our Board of Directors in the slate of nominees that our Board of Directors recommends to stockholders. Our Nominating and Corporate Governance Committee's current policy is to review and consider any director candidates who have been recommended by stockholders in compliance with the procedures established from time to time by our Nominating and Corporate Governance Committee and set forth in its charter. All stockholder 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 stockholder recommendations for director candidates for election at our 2010 annual meeting. All stockholder recommendations for director candidates for election at our 2011 annual meeting of stockholders must be submitted to our Corporate Secretary not less than 120 calendar days prior to the date on which the Company's proxy statement was released to our stockholders in connection with the previous year's annual meeting and must include the following information:

the name and address of record of the stockholder;

a representation that the stockholder is a record holder of our securities, or if the stockholder 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 stockholder 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.

Stockholders also have the right to directly nominate director candidates, without any action or recommendation on the part of our Nominating and Corporate Governance Committee or our Board of Directors by following the procedures set forth in the Bylaws of the Company and described in the section titled "Stockholder Nominations for Director."

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 that 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 our 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 will be independent as defined by the NYSE Corporate Governance Rules;

each of our Audit, Compensation and Nominating and Corporate Governance Committees will be comprised entirely of independent directors; and

at least one member of our Audit Committee will 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.

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 stockholder in compliance with our Nominating and Corporate Governance Committee's procedures for that purpose, including conducting inquiries into the background of proposed director candidates. In 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 right 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 stockholder 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.

Criteria and Diversity. In considering whether to recommend any candidate for inclusion in our Board's slate of recommended director nominees, including candidates recommended by stockholders, our Nominating and Corporate Governance Committee will apply the minimum criteria set forth above as well as the Board membership criteria set forth in our Corporate Governance Guidelines. We do not have a formal diversity policy. However, our Corporate Governance Guidelines provide that our Nominating and Corporate Governance Committee, when recommending to our Board of Directors the types of skills and characteristics required of Board members, should consider such factors as relevant experience, intelligence, independence, commitment, compatibility with the Board culture, prominence, diversity, understanding of our business and such other factors deemed relevant. Our Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily

applicable to all prospective nominees. Our Nominating and Corporate Governance Committee may therefore consider a broad range of factors related to the qualifications and background of nominees, which is not limited only to diversity. Pursuant to our Corporate Governance Guidelines, our Nominating and Corporate Governance Committee will confer with our full Board of Directors as to the criteria it intends to apply before a search for a new director is commenced.

Board Leadership Structure. Pursuant to our Corporate Governance Guidelines, our Board of Directors has not established a fixed policy as to whether the roles of Chief Executive Officer and Chairman of our Board of Directors should be separate. Our Corporate Governance Guidelines permit our Board of Directors to make a choice whether to combine or separate these roles in any manner that it deems best for the Company at a given point in time. Currently, our Board of Directors believes, following the retirement of Mr. McCarten as Executive Chairman, that it is in the best interests of the Company that the roles of Chief Executive Officer and Chairman be separated in order for the individuals to focus on their primary roles. Our Chief Executive Officer, Mark Brugger, is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while William McCarten, our Chairman, provides guidance to our Chief Executive Officer, presides over meetings of our full Board of Directors and, together with the lead director, sets the agenda for Board meetings. In the future, our Board of Directors may determine that it would be in the best interests of the Company to combine the roles of Chairman and Chief Executive Officer.

Our Corporate Governance Guidelines provide that our Board of Directors will adopt a lead director structure where one independent director is selected to serve as an interface between the Chief Executive Officer and our Board of Directors. Mr. Grafton is our lead director. The lead director is the presiding director when our Board of Directors meets in executive session. In addition, our lead director's duties include assisting our Board of Directors in assuring compliance with and implementation of our Corporate Governance Guidelines, coordinating the agenda for and moderating sessions of our Board's independent directors and acting as principal liaison between our independent directors and our Chief Executive Officer on sensitive issues.

The Board's Role in Risk Oversight. Our Board of Directors plays an important role in the risk oversight of the Company. Our Board of Directors is involved in risk oversight through its direct decision-making authority with respect to significant matters and the oversight of management by the Board of Directors and its committees. Our Board of Directors (or the appropriate committee in the case of risks that are under the purview of a particular committee) administers its risk oversight function by receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal, regulatory, strategic and reputational risks. In addition, our Board of Directors administers its risk oversight function through the required approval by our Board of Directors (or a committee thereof) of significant transactions and other decisions, including, among others, acquisitions and dispositions of properties, new borrowings, significant capital expenditures, refinancings and the appointment and retention of DiamondRock's senior management. There is also direct oversight of specific areas of the Company's business by the Compensation, Audit and Nominating and Corporate Governance Committees and regular periodic reports from the Company's auditors and other outside consultants regarding various areas of potential risk, including, among others, those relating to the qualification of DiamondRock as a REIT for tax purposes and DiamondRock's internal controls and financial reporting. Our Board of Directors also relies on management to bring significant matters impacting DiamondRock to its attention. As part of its charter, our Audit Committee discusses our policies with respect to risk assessment and risk management.

Risk Considerations in our Compensation Program. Our Compensation Committee regularly considers whether our compensation program encourages our executives to prudently manage enterprise risk. DiamondRock's leadership and culture encourage long-term stockholder value creation, not short-term stockholder-value maximization. We evaluate performance along both quantitative and qualitative factors and review not only what is achieved, but also how it is achieved. Consistent with our long-term focus, we do not believe that any of our compensation policies and practices for our named executive officers or any other employee encourage excessive risk. In fact, many elements of our executive compensation program serve to mitigate excessive risk taking. For example, we provide what we believe to be a balanced mix of base salary, annual cash incentives and long-term equity grants. Our base salary provides a guaranteed level of income that does not vary with performance. We balance incentives tied to short-term annual performance with equity incentives for which value is earned over a multiple year period. In this way, our executives are motivated to consider the impact of decisions over the short, intermediate, and long terms. Our annual cash

incentive plan limits annual bonuses to 150% of target levels to mitigate the risk of windfall compensation. Our long-term incentive program does not overemphasize stock options, and includes a significant portion in the form of full-value

shares, which encourage our executives to maintain as well as increase stockholder value. Our clawback policy and stock ownership policies further mitigate risk. For more information regarding our compensation program, see the section titled Compensation Discussion and Analysis.

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 the Board of Directors of DiamondRock Hospitality Company, c/o Corporate Secretary, DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817. In addition, you may do so online at www.drhc.com/whistleblower.asp. 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 Corporate Secretary will be forwarded by the Corporate Secretary promptly to the addressee(s).

Other Corporate Governance Matters

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 our general counsel, who is also our compliance officer.

Our Code of Ethics contains compliance procedures, allows for the anonymous reporting of a suspected violation of our Code of Ethics and specifically forbids retaliation against any 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 in accordance with applicable laws and rules and regulations of the NYSE. 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 Charters. A copy of our Code of Ethics is also available, without charge, in print to any stockholder upon written request addressed to Investor Relations, DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817.

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines, a copy of which is available on our website at <http://www.drhc.com> under the heading Corporate Governance, under the subheading Corporate Governance Charters

and under the document entitled Guidelines on Significant Governance Issues. Our Corporate Governance Guidelines are also available, without charge, 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 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, officer's or employee's personal interest interferes with our interests.

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 or known to the board of directors or a committee of the board of directors, and the board of directors or that committee authorizes, approves or ratifies 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 authorized, approved or ratified 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.

DIRECTOR COMPENSATION

The following chart summarizes the compensation paid to our non-executive directors in 2009. Directors who are employees receive no separate compensation for being members of our Board of Directors:

Director Compensation

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards(2) (\$)	All Other Compensation (\$)(3)	Total (\$)
W. Robert Grafton (Lead Director & Audit Committee Chairperson)	75,000	50,000	1,831	126,831
Daniel J. Altobello (Compensation Committee Chairperson)	57,500	50,000	4,622	112,122
Maureen L. McAvey (Director)	50,000	50,000		100,000
Gilbert T. Ray (Nominating and Governance Committee Chairperson)	57,500	50,000	4,286	111,786

- (1) Messrs. McCarten, Brugger and Williams are not included in this table because they were employees of the Company in 2009 and thus received no separate compensation for services as directors. Effective as of December 31, 2009, Mr. McCarten retired as Executive Chairman of our Board of Directors. He will continue as the non-executive Chairman of our Board of Directors in 2010 and he will receive compensation as a director in 2010 as more fully described in the section titled Compensation of Chairman.
- (2) The amounts set forth in this column represent the grant-date fair value of equity awards to our non-employee directors. Each non-employee director received 7,396 fully vested shares of common stock on July 31, 2009. Such shares had a market value of \$50,000 on such date, based on the closing price for shares of our common stock on the NYSE. The fair market value of such shares was recognized as compensation expense on the grant date.
- (3) Reimbursement for lodging, meals, parking and certain other expenses at one of our hotels or at a hotel and resort managed or franchised by Marriott, Starwood or Hilton.

Cash Compensation

In July of each year, our Compensation Committee reviews the compensation of our non-employee directors. In July 2008, our Compensation Committee engaged an independent consultant, Frederic W. Cook & Co., Incorporated (F.W.

Cook) to review the compensation paid to members of the board of directors of our competitive set. Our Compensation Committee did not commission a new study in 2009. After reviewing the study from 2008 and discussing the matter with the independent compensation consultant, our Compensation Committee concluded that a change in compensation for our Board of Directors in 2009 was not warranted.

We paid each of our non-employee directors, other than Mr. McCarten, an annual cash retainer of \$50,000. We paid an additional annual retainer to our lead director (\$10,000 annual fee) as well as to the Chairpersons of our Audit Committee (\$15,000 annual fee), Nominating and Corporate Governance Committee (\$7,500 annual fee) and Compensation Committee (\$7,500 annual fee). We compensate our directors through a single annual retainer as opposed to per meeting fees. We have structured their compensation in this manner in order to simplify and clarify director compensation as each of our three standing committees are comprised of the same four independent directors and often a meeting might discuss matters involving the area of responsibility of more than one committee.

The following chart reflects the cash compensation paid to our directors in 2009.

	Annual Fee for Board Membership	Annual Fee for Committee Chairs & Lead Director	Total Cash Fees Paid
W. Robert Grafton (Lead Director & Audit Committee Chairperson)	\$ 50,000	\$ 25,000	\$ 75,000
Daniel J. Altobello (Compensation Committee Chairperson)	\$ 50,000	\$ 7,500	\$ 57,500
Maureen L. McAvey (Director)	\$ 50,000		\$ 50,000
Gilbert T. Ray (Nomination and Governance Committee Chairperson)	\$ 50,000	\$ 7,500	\$ 57,500

Equity Compensation

As part of their regular annual compensation, in July of each year, each of our non-employee directors receives fully vested shares of common stock. On July 31, 2009, we issued to each of our independent directors 7,396 shares of common stock, which had a value of \$50,000, based on the closing stock price for our common stock on the NYSE on such day.

Expenses and Perquisites

We reimburse our directors for their reasonable out-of-pocket expenses incurred in attending meetings of our Board of Directors or its committees or attending continuing professional education classes.

In addition, each of the seven members of our Board of Directors are entitled to reimbursement for up to \$10,000 of lodging, meals, parking and certain other expenses at all of our hotels as well as at all hotels and resorts managed or franchised by Marriott, Starwood or Hilton, subject to certain limitations. All of such reimbursement was considered taxable income to the director who stayed at the hotel or resort and is disclosed in the All Other Compensation column of the chart entitled Director Compensation.

Stock Ownership Policy for Directors

As part of its periodic review of our corporate governance policies, our Board of Directors revised our stock ownership policy for our non-executive directors as follows:

Under our stock ownership policy, an ownership target is set for each of our non-employee directors. The ownership target establishes, on an annual basis, the number of shares each non-employee director should hold of Company stock. If a non-employee director holds less than the ownership target, he or she is restricted from selling any shares of Company stock until such time as he or she holds shares in excess of the ownership target, except as needed to pay

personal taxes related to the issuance of Company stock and except for shares that the director has purchased on the open market.

We count towards this minimum equity ownership policy only those shares that are owned by a non-employee director. The ownership target for a non-employee director is determined by multiplying the annual cash retainer for that year by three and then dividing that result by the average closing price of the Company's common stock during the first 10 trading days of the same calendar year (\$9.20 per share for 2010).

Due to the decline of the price of the Company stock in 2008, none of the non-employee directors held a number of shares in excess of the ownership target, and, accordingly, were restricted from selling shares of our stock in 2009. All of our directors complied with the stock ownership policy.

In 2009, the price of Company stock increased, and each of our non-employee directors holds shares in excess of his or her 2010 ownership target.

Compensation of Chairman

On December 15, 2009, William W. McCarten announced his intention to retire as Executive Chairman of our Board of Directors effective as of December 31, 2009. Mr. McCarten has served as the non-executive Chairman of our Board of Directors, effective as of January 1, 2010. As non-executive Chairman, Mr. McCarten will receive remuneration for his services in 2010 of (i) an annual cash retainer of \$280,000 and (ii) an equity award with a value not less than \$50,000, based on the closing stock price for the Company's common stock on the NYSE on the date of grant or such greater value as our Compensation Committee may determine to grant to the other non-employee directors of the Company for 2010. These amounts are in lieu of any other non-employee director compensation.

In conjunction with the designation of Mr. McCarten as an eligible retiree as described in the section Severance Agreements, the Company recorded a non-cash charge of approximately \$1.0 million during the year ended December 31, 2009.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Design

Our named executive officers for 2009 were:

William W. McCarten, Chairman of the Board

Mark W. Brugger, Chief Executive Officer

John L. Williams, President and Chief Operating Officer

Sean M. Mahoney, Executive Vice President and Chief Financial Officer

Michael D. Schechter, Executive Vice President and General Counsel

Effective as of December 31, 2009, Mr. McCarten ceased to be an executive officer of the Company, although he will continue as the non-executive Chairman of our Board of Directors in 2010. Also on December 31, 2009, Mr. Schechter was terminated by the Company. Effective as of January 4, 2010, Mr. William J. Tennis became the Executive Vice President and General Counsel of the Company and was designated an executive officer for 2010.

We designed our executive compensation program with the following objectives:

to be straightforward, transparent and market-based;

to create proper incentives for our executive team to maximize long-term stockholder value; and

to comply with sound corporate governance practices.

Straightforward, Transparent, Market-Based Compensation Program

We have a strong preference for a simple, transparent, market-based compensation program. Our compensation program consists of base salary, annual cash bonus opportunities, and annual long-term incentive grants. We have not implemented a pension or a nonqualified deferred compensation program and have very limited perquisites.

We regularly review competitive compensation practices for executives of other hospitality REITs and REITs of similar size to DiamondRock to ensure our program is market competitive. In addition, before awarding any compensation, our Compensation Committee reviews a tally sheet showing the value of all of the compensation granted to our executive team since our formation, utilizing the value of all equity awards both as of the time of each stock grant and as updated for current stock values. Our Compensation Committee evaluates both the competitive information as well as detailed historical compensation by component and in total when making decisions to take into account the interdependence of each compensation element in the total direct compensation opportunities of the named executive officers.

In setting our compensation targets our Compensation Committee uses its judgment in a number of respects. Our Compensation Committee sets compensation for the following year, but publicly disclosed data on the competitive sets either relates to the current year or the prior year, so the data needs to be adjusted to reflect known trends. In

addition, because the number of firms in our competitive sets is relatively few, individual firms can distort averages. Accordingly, our Compensation Committee uses judgment when we identify apparent anomalies in the data. Finally, we adjust base salaries to reflect our executives' assigned responsibilities, relevant levels of experience and individual performance compared to other members of the competitive set.

Proper Incentives to Maximize Long-Term Stockholder Value

Our compensation program is designed to create incentives for our executive team to maximize long-term stockholder value. Less than one-third of our named executive officers' total compensation opportunity is in the form of a fixed base salary. The vast majority of our executives' total compensation opportunity is awarded

through our cash incentive compensation program, which rewards our executives for achieving our annual budget and other corporate and individual objectives, and our annual equity award program, where the ultimate value of the awards is tied to our ability to maximize long-term stockholder value.

We believe that our cash incentive compensation program encourages our executive officers to take prudent steps to achieve, and if possible exceed, our budgeted earnings, which we believe will increase stockholder value. In 2009, 50% of our executives' potential cash incentive award was tied to the achievement of our internal annual budget for Adjusted Funds From Operations per share (or AFFO per share). We have not reset our targets nor have we guaranteed our executives any minimum cash incentive payments. In the event of poor performance, the executives could receive no cash incentive compensation for the year.

The largest individual component of our executive officers' compensation is equity compensation. Our philosophy is to target total compensation to be competitive with that of our competitive set and to ensure that approximately half of the targeted compensation is in the form of equity. We believe that half of our executives' compensation should be in the form of restricted stock or other long-term equity grants for several reasons.

First, along with our stock ownership policy, equity grants help ensure that a significant portion of each of our executives' net worth is tied to the value of our stock, aligning the interests of our executives with those of our stockholders. Our view is that, if we have superior long-term operating performance, our executives, through their significant equity compensation, will eventually receive above market compensation from dividends and capital appreciation in our common stock. Conversely if we do not perform as well as our competitors, our executives' compensation will prove to be (appropriately) below market over the long-term.

Second, we design our equity awards to be total stockholder return vehicles, rewarding our executive officers for both share price appreciation as well as dividends. We believe a focus on total stockholder return will encourage our executives to prudently increase earnings to ensure that our dividend is well covered.

Third, our equity awards vest over a three-year schedule, thus creating for our executive officers an incentive to remain with the Company.

Comply with Sound Corporate Governance Practices

In designing our executive compensation program, our Compensation Committee also consults with F.W. Cook, its own independent compensation advisor, to assess our compliance with sound corporate governance practices. For example, we have adopted both a so-called "clawback policy" to recover compensation amounts inappropriately paid in the event of a restatement of our financial statements. We have also developed executive and director stock ownership policies to ensure alignment of stockholder interests with those of our executives and directors.

Moreover, we strive to maximize the financial efficiency of our compensation program. For example, the amount of our cash incentive compensation and the size of the equity grants vary based on the degree to which our financial objectives are achieved.

Compensation Committee Procedures, Compensation Consultant and Input of Named Executive Officers on Compensation

Our Compensation Committee is responsible for determining the amount and composition of compensation paid to our Chief Executive Officer and all other executive officers. Our Compensation Committee exercises its independent discretion in reviewing and approving the executive compensation program as a whole, as well as specific compensation levels for each executive officer.

Independent Consultant

F.W. Cook also advises our Compensation Committee on compensation program design and the amounts we should pay to our executives. They provide our Compensation Committee with information on executive compensation trends, best practices and advice for potential improvements to the executive compensation

program. F.W. Cook also advises our Compensation Committee on the design of the compensation program for non-employee directors. F.W. Cook does no work for management, receives no compensation from the Company other than for its work in advising our Compensation Committee, and maintains no other economic relationships with the Company. As part of the process of assessing the effectiveness of the Company's compensation programs, F.W. Cook receives input from our Chief Executive Officer regarding the Company's strategic goals and the manner in which the compensation plans should support these goals.

Annual Process

During its December meeting, our Compensation Committee reviews the total compensation of each of our executive officers for the prior year, including an estimate of the incentive plan compensation for the prior year, a summary of all executive severance agreements and a calculation of potential change in control costs. Our Compensation Committee, at this meeting, also reviews appropriate compensation studies and surveys.

For each of the named executives other than Mr. McCarten, Mr. Brugger makes a compensation recommendation to our Compensation Committee and our Compensation Committee considers these recommendations in setting the compensation for the three other named executive officers. Following that review, our Compensation Committee sets an appropriate base salary for the executive officers, including Mr. McCarten, along with target bonuses and equity awards for the following year.

Once the financial results for the prior year are available and the annual budget for the subsequent year is finalized, our Compensation Committee finalizes the prior year bonuses, the structure of the current year annual cash incentive compensation program and the amount of the equity awards.

Use of Competitive Sets

Each year, our Compensation Committee conducts a review of the executive compensation program in terms of both design and compensation levels. This includes a competitive analysis of our compensation practices versus those of our peers with a focus on other lodging REITs and, to a lesser extent, the real estate industry in general. Our primary competitive set is comprised of the traditionally five largest lodging-focused self-managed REITs. We typically exclude Host Hotels & Resorts, Inc. (NYSE: HST) from our competitive set as it is substantially larger than us, although we review their compensation design. We confirm that our compensation levels are in keeping with the overall market by evaluating our compensation against a secondary competitive set comprised of nine similarly-sized self-managed REITs which invest in a variety of assets, including offices, apartments and retail properties. To benchmark executive chairman compensation for Mr. McCarten, we used a separate competitive set of REITs that had such a position.

The REITs in each competitive set are:

Lodging REIT Competitive Set

	Ticker Symbol	Market Capitalization (as of December 31, 2009)(1)
Ashford Hospitality Trust	AHT	\$ 287 million
Felcor Lodging Trust Inc.	FCH	\$ 233 million

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LaSalle Hotel Properties	LHO	\$	1.3 billion
Strategic Hotels & Resorts, Inc.	BEE	\$	140 million
Sunstone Hotel Investors, Inc.	SHO	\$	872 million

Non-Lodging REIT Competitive Set

	Ticker Symbol	Market Capitalization (as of December 31, 2009)(1)
Colonial Properties Trust	CLP	\$ 779 million
Cousins Property	CUZ	\$ 761 million
Eastgroup Properties	EGP	\$ 1.0 billion
Entertainment Properties	EPR	\$ 1.3 billion
Healthcare Realty Trust	HR	\$ 1.3 billion
Mid-America Apartment	MAA	\$ 1.4 billion
National Retail Properties	NNN	\$ 1.7 billion
Omega Healthcare REIT	OHI	\$ 1.7 billion
Tanger Factory Outlet Centers	SKT	\$ 1.6 billion

Non-Executive Chairman REIT Competitive Set

	Ticker Symbol	Market Capitalization (as of December 31, 2009)(1)
Boston Properties, Inc.	BXP	\$ 9.3 billion
Colonial Properties Trust	CLP	\$ 779 million
Digital Realty Trust, Inc.	DLR	\$ 3.8 billion
Douglas Emmet Inc.	DEI	\$ 1.7 billion
Felcor Lodging Trust, Inc.	FCH	\$ 233 million
Hersha Hospitality Trust	HT	\$ 177 million
Host Hotels & Resorts Inc.	HST	\$ 7.2 billion
Lexington Realty Trust	LXP	\$ 741 million
The Macerich Co.	MAC	\$ 3.5 billion
Sunstone Hotel Investors Inc.	SHO	\$ 872 million
Weingarten Realty Investors	WRI	\$ 2.4 billion

(1) Our market capitalization as of December 31, 2009 was \$1.1 billion.

In 2008, F.W. Cook conducted a competitive analysis of executive compensation levels against our competitive sets to assist our Compensation Committee in making compensation decisions with respect to target pay opportunities for our executives for 2009. Due to the global economic crisis and its impact on the real estate industry in general and the hospitality industry in particular, our Compensation Committee felt that compensation data for our competitive sets that were available in 2009 would not be indicative of compensation practices going forward. Consequently, our Compensation Committee decided not to conduct a competitive review of executive compensation for our named executive officers during 2009. However, our Compensation Committee did direct our independent consultant to examine compensation practices for non-executive chairpersons in 2009, to assist our Compensation Committee in

determining Mr. McCarten's 2010 compensation.

As we target our total compensation to be competitive with that of our competitive set and we seek to ensure that approximately half of the compensation paid to our senior executives is in the form of equity, our executives' cash compensation may be targeted at a level below or above the median cash compensation paid to members of our primary competitive set. During our annual compensation review in December, we generally attempt to set the base salaries within the range of base salaries paid to members of our competitive sets and, whenever possible, we strive to pay base salaries at levels competitive with that of the competitive sets.

For 2009, our executives' actual compensation compared to data collected at the end of 2008 from our competitive sets is as follows:

Primary Set Hotel REITs

Executive	Benchmark	Base Salary	Annual Cash Incentive	Equity	Total Direct Compensation
Mr. Brugger	Chief Executive Officer	3 rd highest of 6	4 th highest of 6	lowest of 6	lowest of 6
Mr. Williams	Chief Operating Officer	2 nd highest of 4	2 nd highest of 4	3 rd highest of 4	3 rd highest of 4
Mr. Mahoney	Chief Financial Officer	5 th highest of 6	lowest of 6	4 th highest of 6	4 th highest of 6
Mr. Schechter	General Counsel	3 rd highest of 4	3 rd highest of 4	2 nd highest of 4	2 nd highest of 4

Secondary Set Other REITs

Executive	Benchmark	Base Salary	Annual Cash Incentive	Equity	Total Direct Compensation
Mr. Brugger	Chief Executive Officer	3 rd highest of 10	6 th highest of 10	4 th highest of 10	5 th highest of 10
Mr. Williams	Chief Operating Officer	highest of 8	4 th highest of 8	2 nd highest of 8	2 nd highest of 8
Mr. Mahoney	Chief Financial Officer	8 th highest of 10	9 th highest of 10	5 th highest of 10	6 th highest of 10
Mr. Schechter	General Counsel	3 rd highest of 4	2 nd highest of 4	2 nd highest of 4	2 nd highest of 4

Combined Sets(1)

Executive	Benchmark	Base Salary	Annual Cash Incentive	Equity	Total Direct Compensation
Mr. Brugger	Chief Executive Officer	Median - 75 th Percentile	25 th Percentile - Median	Median	25 th Percentile
Mr. Williams	Chief Operating Officer	> 75 th Percentile	Median	75 th Percentile	75 th Percentile
Mr. Mahoney	Chief Financial Officer	25 th Percentile	< 25 th Percentile	Median	25 th Percentile
Mr. Schechter	General Counsel	25 th Percentile	25 th Percentile	Median	25 th Percentile

Executive Chairman Competitive Set(2)

Executive	Benchmark	Base Salary	Annual Cash Incentive	Equity	Total Direct Compensation
Mr. McCarten	Executive Chairman	Median	Median	Median - 75 th Percentile	Median

(1) In order to increase the weighting of the primary competitive set (which only had five competitors versus the nine competitors of our secondary competitive set), our Compensation Committee had its independent compensation advisor calculate the 25th percentiles, medians and 75th percentiles of the two competitive sets and then average each of those statistics to use as the 25th percentile, median and 75th percentiles of the combined set.

(2) Mr. McCarten was compared to a special competitive set consisting of 11 REITs with executive chairpersons.

Mr. McCarten's total compensation, and each of the major elements of his compensation, is approximately at the median of the combined sets above. Our Compensation Committee believed that it was appropriate to pay Mr. McCarten at the median of his competitive set to appropriately reflect his several decades of executive experience. Additionally, since Mr. Brugger was a first-time chief executive officer, our Board of Directors requested that Mr. McCarten devote additional time in 2009 working with Mr. Brugger on strategic and other matters.

Mr. Brugger's total compensation is the lowest among the primary competitive set, in the middle of the secondary competitive set and at the 25th percentile of the combined competitive set. Mr. Brugger's total compensation and each of the major elements of his compensation for 2009 were generally below the median of the various competitive sets as he assumed the role of Chief Executive Officer in September of 2008. Since Mr. Brugger was assuming the role of Chief Executive Officer for the first time, our Compensation Committee

believed that targeting his pay at the lower end of the competitive range was appropriate for his first year in the role.

Mr. Williams' total compensation and each of the major elements of his total compensation are either the second or third highest of the four members of his primary competitive set. Due to differences in compensation practices for lodging REIT chief operating officers and other REIT chief operating officers, while he is approximately at the median of his primary competitive set (which consists only of lodging REIT chief operating officers), he is one of the highest paid members of the secondary competitive set, which results in his being at the 75th percentile of the combined competitive set. In general, our Compensation Committee believes the competitive data for Mr. Williams is less relevant because few of our competitors have an officer with similar responsibilities (i.e., responsible for both acquisitions and operations). Our Compensation Committee concluded that the compensation data therefore is not a reliable indicator of market compensation and our Committee believes that Mr. Williams' compensation is appropriate in light of his responsibilities and significant knowledge gained over his nearly three decades of experience in the lodging industry.

Mr. Mahoney receives total compensation that is approximately at the 25th percentile of our combined competitive sets. His cash compensation (base salary and bonus) is at the lower end of each of the competitive sets while his equity compensation is closer to the median. Mr. Mahoney's total compensation and each of the key elements of Mr. Mahoney's compensation for 2009 were generally below the median of the various competitive sets as he was promoted to Chief Financial Officer in September of 2008. Upon his promotion, the Compensation Committee determined that his compensation should appropriately be at the lower end of the competitive set because the other chief financial officers within the competitive set had more experience as they had been chief financial officers of their respective companies for a longer period of time.

Mr. Schecter received total compensation in 2009 that was also at the lower end of each of the competitive sets while his equity compensation was closer to the median. Because Mr. Schecter's position and responsibilities did not change during 2009, our Compensation Committee made only a small adjustment in his compensation, in view of the challenging economic environment.

Stock Ownership Policy for Senior Executives

We believe that it is important to align the interests of senior management with those of our stockholders. As one concrete step to ensure such alignment, we have a stock ownership policy for each of our senior executive officers, which is substantially the same as the stock ownership policy for our non-executive directors. As part of its periodic review of our corporate governance policies, our Board of Directors revised our stock ownership policy for our senior executives as described below.

Under our stock ownership policy, an ownership target is set for each of our covered executives. The ownership target establishes, on an annual basis, the number of shares each covered executive should hold of Company stock. If an executive holds less than the ownership target, he or she is restricted from selling any Company stock until such time as he or she holds shares in excess of the ownership target, except as needed to pay personal taxes related to the vesting of Company stock and except for shares which the executive has purchased on the open market.

We count towards this ownership target only those shares that are owned by an executive, including shares purchased or awarded under our equity compensation program to the extent that such shares are fully vested and otherwise continue to be owned by the executive. The ownership target for an executive is determined on the calculation date (which is March 3, 2010 this year) by calculating a multiple (4 in the case of the Chief Executive Officer and 3 in the case of all other executive officers) of that executive's base salary for a year and then dividing that result by the average closing price of the Company's common stock during the first 10 trading days of the same calendar year (\$9.20 per share for 2010).

Due to the decline of the price of Company stock in 2008, none of the executives (other than Mr. McCarten) held a number of shares in excess of the ownership target, and, accordingly, were restricted from selling shares of our stock in 2009. All of our executives complied with this restriction.

In 2009, the price of Company stock increased, and each of our executives (except Mr. Mahoney and Mr. Tennis) holds shares in excess of his 2010 ownership target.

Clawback Policy

Our Board of Directors has adopted a policy that, in the event of a significant restatement of our financial results, our Board of Directors will review all cash incentive plan compensation that was paid to the five most highly compensated executives on the basis of having met or exceeded specific performance targets for performance periods after the adoption of the policy (December 31, 2006). If the bonuses paid pursuant to such cash incentive program compensation would have been lower had the bonuses been calculated based on such restated results, it is the general policy of our Board of Directors to seek to recoup, for the benefit of the Company, the portion of the excess cash incentive program compensation that was received by any individual senior executive who engaged in fraud, intentional misconduct or illegal behavior in connection with the financial results that were restated. Notwithstanding anything stated or implied in the foregoing, our Board of Directors will, in its reasonable business judgment, decide whether to pursue such recoupment from an individual based on those factors that our Board of Directors believes to be reasonable.

Tax Deductibility of Executive Compensation

Section 162(m) of the Code limits the deductibility on DiamondRock's tax return of compensation over \$1 million to certain of our corporate officers unless, in general, the compensation is paid pursuant to a plan which is performance-related, non-discretionary and has been approved by our stockholders. Because DiamondRock is a real estate investment trust that generally does not pay corporate income taxes, the loss of deductibility of compensation does not have a significant adverse impact on us. In 2009, \$2.6 million was not deductible under Section 162(m).

Senior Executive Compensation

The following table sets forth the compensation paid for the last three years to our Chief Executive Officer, our Chief Financial Officer and each of the three other named executive officers. The five individuals set forth below were all of our executive officers through December 31, 2009.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Stock Awards (1)(\$)	Option Awards (1)(\$)	Non-Equity Incentive Plan		All Other Compensation (2)(\$)	Total (\$)
					Bonus (\$)	Compensation (\$)		
William W. McCarten	2009	300,000	500,000			306,000	38,165	1,144,165
Chairman of the Board and	2008	564,000	750,000	750,000		425,820	31,846	2,521,666
Former Chief Executive Officer	2007	537,000	1,300,000			464,775	36,778	2,338,553
Mark W. Brugger	2009	600,000	1,500,000			612,000	32,221	2,744,221
Chief Executive Officer	2008	450,000	425,000	425,000		294,435	33,527	1,627,962
	2007	357,000	650,000			275,748	31,940	1,314,688
John L. Williams								