

19 October 2007

2007

CEO/CFO COMPENSATION REPORT

*Hotel Edition*

*Presented by:*

*HVS Executive Search*

[www.hvs-executivesearch.com](http://www.hvs-executivesearch.com)



## INTRODUCTION AND EXECUTIVE SUMMARY

The following report is a synopsis of Chief Executive Officer and Chief Financial Officer pay in the hotel industry. Although the report is geared towards board directors and compensation committees, anyone interested in compensation trends will be well served. In putting together the results it was clear that hotel executives are well paid. More importantly is whether a particular executive earned his or her pay. Pay-for-Performance is a hot topic among corporate pundits and we believe it will continue to be an important issue for board directors, executives and shareholders alike.

The data is further delineated by the following factors:

- Compensation Component (Base, Bonus, Long-Term, Other)
- Components as a percentage of Base Salary
- Market Capitalization
- HVS Pay-for-Performance Index.

We hope you find the study useful in making strategic decisions regarding executive pay.

*Sincerely,*



*Keith Kefgen  
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## ABOUT HVS

HVS Executive Search is the premiere Executive Search and Compensation Consulting firm specializing in the Hotel, Chain Restaurant/Retail and Gaming industries. We deliver superior value by focusing on the needs of our clients and bottom line results. Our professionals are located in New York, Las Vegas, London, Hong Kong, Moscow and New Delhi and give the firm worldwide exposure our clients demand. To that end, each HVS consultant is an expert in each of our core competencies and is dedicated to finding the solution that works best for you.

HVS Executive Search is a division of HVS, a fully integrated consulting firm focusing exclusively on the hospitality industry providing a wide range of services to owners, lenders and operators throughout the world. Founded in 1980, HVS is the world's leading specialist in hospitality consultancy. With more than 24 offices globally, HVS offers unparalleled international market expertise.

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# Hotel CEO Compensation

Company	Name	2006 Salary	Short-Term Incentive	Long-Term Incentive	Other Compensation	2006 Grand Total	HVS Value Index
American Skiing Co.	Fair, William J.	\$469,230	\$0	\$16,465	\$0	\$485,695	182.33
Ashford Hospitality	Bennett, Montgomery	\$650,000	\$812,500	\$1,412,789	\$0	\$2,875,289	104.20
Bluegreen Corp	Donovan, George P.*	\$500,000	\$560,897	\$825,156	\$3,057,934	\$4,943,987	120.32
Carnival	Arison, M. Micky	\$850,000	\$2,600,000	\$3,250,800	\$510,400	\$7,211,200	102.58
Choice Hotels International	Ledsinger, Charles A.	\$749,615	\$1,161,904	\$2,826,358	\$180,850	\$4,918,727	105.61
DiamondRock	McCarten, William W.	\$515,000	\$772,500	\$902,778	\$38,186	\$2,228,464	221.00
Eagle Hospitality	Blackham, William J.*	\$300,000	\$196,650	\$179,169	\$63,105	\$738,924	39.00
Equity Inns	Silver, Howard	\$450,000	\$1,102,500	\$1,555,210	\$295,585	\$3,403,295	104.35
Felcor Lodging Trust	Corcoran, Thomas Jr.*	\$473,434	\$378,747	\$686,256	\$22,500	\$1,560,937	89.20
Gaylord Entertainment	Reed, Colin V.	\$823,385	\$1,236,033	\$1,764,587	\$145,822	\$3,969,827	109.21
Great Wolf Resorts	Emery, John	\$416,000	\$301,600	\$837,090	\$18,675	\$1,573,365	83.26
Hersha Hospitality	Shah, Jay	\$350,000	\$0	\$107,979	\$31,945	\$489,924	1.27
Hilton Hotels	Bollenbach, Stephen	\$1,000,000	\$2,137,830	\$8,720,247	\$371,290	\$12,229,367	111.65
Host Hotels & Resorts	Nassetta, Christopher J.	\$850,000	\$1,569,610	\$10,521,383	\$178,637	\$13,119,630	106.29
ILX Resorts Inc.	Martori, Joseph P.	\$354,000	\$0	\$0	\$0	\$354,000	53.32
Innkeepers USA	Fisher, Jeffrey H.*	\$400,000	\$232,000	\$946,107	\$54,551	\$1,632,658	99.59
Interstate Hotels & Resorts	Hewitt, Thomas	\$400,000	\$500,000	\$259,237	\$112,325	\$1,271,562	105.78
LaSalle Hotel Properties	Bortz, Jon E.#	\$475,000	\$712,500	\$516,377	\$110,636	\$1,814,513	123.65
Lodgian	Rohling, Edward	\$562,692	\$330,000	\$391,500	\$19,813	\$1,304,005	73.63
Loews Hotels	Tisch, Jonathan M.	\$1,275,000	\$1,500,000	\$910,421	\$1,357,984	\$5,043,405	123.58
Marcus	Marcus, Stephen H.	\$537,769	\$334,368	\$0	\$8,043	\$880,180	88.93
Marriott Intl, Inc.	Marriott, Jr., J. W.	\$1,119,506	\$1,376,096	\$9,771,341	\$329,865	\$12,596,808	108.57
Maui Land	Cole, David C.	\$550,000	\$50,000	\$844,441	\$70,568	\$1,515,009	119.77
Morgans Hotel Group	Scheetz, Edward W.*	\$750,000	\$750,000	\$2,644,219	\$0	\$4,144,219	100.29
Priceline.com	Boyd, Jeffery	\$491,667	\$1,000,000	\$2,238,579	\$413	\$3,730,659	114.70
Red Lion Hotels	Coffey, Arthur M.	\$354,791	\$233,547	\$242,846	\$14,252	\$845,436	127.00
Royal Caribbean	Fain, Richard D.	\$1,017,789	\$2,914,960	\$1,883,774	\$146,896	\$5,963,419	104.83
Sonesta International	Sonnabend, Peter J.	\$418,374	\$10,836	\$0	\$143,065	\$572,275	202.89
St Joe Company	Rummell, Peter S.	\$833,191	\$0	\$2,693,177	\$669,101	\$4,195,469	105.00
Starwood Hotels & Resorts	Heyer, Steven J.*	\$1,000,000	\$2,000,000	\$6,385,292	\$578,134	\$9,963,426	107.10
Strategic Hotels & Resorts	Geller, Laurence	\$574,039	\$1,050,000	\$1,538,937	\$57,440	\$3,220,416	99.91
Sunstone Hotel Investors	Alter, Robert*	\$568,615	\$533,077	\$1,019,108	\$577,617	\$2,698,417	95.32
Supertel Hospitality	Schulte, Paul	\$250,000	\$35,000	\$20,700	\$22,000	\$327,700	7.75
Vail Resorts, Inc.	Katz, Robert, A	\$405,320	\$407,500	\$1,399,013	\$6,715	\$2,218,548	115.58
Walt Disney	Iger, Robert, A	\$2,000,000	\$15,000,000	\$4,710,012	\$666,285	\$22,376,297	106.52

\*CEO no longer with company.

# LaSalle's proxy listed Short-Term Incentive as "TBD." For the purpose of this study, we estimated the value by using the same percentage growth as seen from 2004 to 2005.

Short Term Incentive is comprised of Bonus plus Non-Equity Incentive Plan.

Long Term Incentive is comprised of Stock Awards and Option Awards.

Other Compensation includes Changes in Pension as well as anything listed as "Other" in the company's proxy statement.

"HVS Pay-For-Performance Index" is based on an average of 100.0 Stock market data garnered from *Smart Money* and based on years ending December 31, 2003-2006

# Hotel CFO Compensation

Company	Name	2006 Salary	Short-Term Incentive	Long-Term Incentive	Other Compensation	2006 Grand Total	HVS Value Index
American Skiing Co.	Helen E. Wallace	\$291,793	\$0	\$0	\$2,901	\$294,694	172.07
Ashford Hospitality	David J. Kimichik	\$325,000	\$265,000	\$447,705	\$0	\$1,037,705	99.41
Bluegreen Corp	Anthony M. Puleo	\$275,000	\$225,000	\$98,543	\$1,000	\$599,543	162.11
Choice Hotels International	David L. White	\$192,161	\$119,140	\$101,023	\$29,809	\$442,133	92.21
DiamondRock	Mark W. Brugger	\$275,000	\$330,000	\$633,333	\$34,095	\$1,272,428	216.00
Eagle Hospitality	Raymond D. Martz*	\$250,000	\$141,375	\$28,576	\$53,130	\$473,081	39.83
Equity Inns	J. Mitchell Collins	\$285,000	\$320,625	\$846,698	\$147,510	\$1,599,833	101.34
Felcor Lodging Trust	Andrew J. Welch	\$300,000	\$240,000	\$152,634	\$22,500	\$715,134	80.62
Gaylord Entertainment	David C. Kloeppe	\$488,885	\$550,421	\$939,501	\$49,284	\$2,028,091	107.35
Great Wolf Resorts	James A. Calder	\$260,000	\$188,500	\$289,425	\$11,608	\$749,533	74.59
Hersha Hospitality	Ashish R. Parikh	\$225,000	\$0	\$51,422	\$31,134	\$307,556	35.86
Hilton Hotels	Robert M. La Forgia	\$550,000	\$1,281,975	\$771,504	\$135,027	\$2,738,506	117.43
Host Hotels & Resorts	W. Edward Walter	\$500,000	\$700,000	\$5,700,324	\$146,468	\$7,046,792	104.92
ILX Resorts Inc.	Margaret M. Eardley	\$172,000	\$0	\$41,550	\$21,542	\$235,092	50.49
Innkeepers USA	Dennis M. Craven	\$160,769	\$86,213	\$81,000	\$90,072	\$418,054	84.26
Interstate Hotels & Resorts	Bruce A Riggins	\$225,000	\$357,500	\$188,070	\$180,642	\$951,212	102.54
LaSalle Hotel Properties	Hans S. Weger#	\$350,000	\$374,500	\$352,616	\$77,737	\$1,154,853	113.31
Lodgian	James A. MacLennan	\$230,577	\$75,000	\$124,153	\$2,342	\$432,072	47.03
Loews Hotels	P.W. Keegan	\$990,000	\$1,010,000	\$292,288	\$336,910	\$2,629,198	123.36
Marriott Intl, Inc.	Arne M. Sorenson	\$609,000	\$536,834	\$3,109,016	\$237,109	\$4,491,959	108.13
Maui Land	Robert I Webber	\$190,384	\$83,336	\$61,782	\$37,500	\$373,002	129.67
Morgans Hotel Group	Richard Szymanski	\$350,000	\$200,000	\$208,137	\$0	\$758,137	86.80
Priceline.com	Robert J. Mylod Jr.	\$395,833	\$400,000	\$1,239,585	\$332	\$2,035,750	112.97
Red Lion Hotels	Anupam Narayan	\$246,625	\$99,406	\$95,503	\$8,565	\$450,099	122.46
Royal Caribbean	Brian J. Rice	\$440,385	\$675,506	\$537,080	\$92,041	\$1,745,012	100.60
St Joe Co	Michael N. Regan*	\$286,669	\$75,000	\$386,108	\$167,128	\$914,905	98.52
Starwood Hotels & Resorts	Vasant Prabhu	\$578,667	\$567,840	\$2,353,504	\$29,674	\$3,529,685	105.62
Strategic Hotels & Resorts	James E. Mead	\$365,923	\$261,000	\$385,728	\$23,979	\$1,036,630	91.29
Supertel Hospitality	Donavon A Heimes	\$175,000	\$25,000	\$18,975	\$5,688	\$224,663	10.35
Vail Resorts, Inc.	Jeffrey W. Jones	\$405,288	\$382,500	\$1,395,000	\$78,248	\$2,261,036	109.70
Walt Disney	Thomas O. Staggs	\$1,037,500	\$4,000,000	\$5,243,012	\$5,608	\$10,286,120	105.20

\*CFO no longer with company.

#LaSalle's proxy listed Short-Term Incentive as "TBD." For the purpose of this study, we estimated the value by using the same percentage growth as seen from 2004 to 2005.

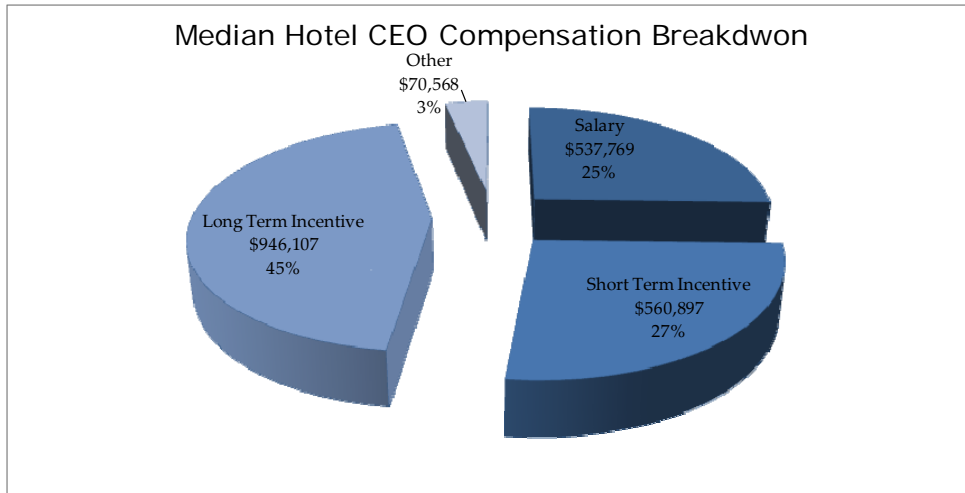
Short Term Incentive is comprised of Bonus plus Non-Equity Incentive Plan.

Long Term Incentive is comprised of Stock Awards and Option Awards.

Other Compensation includes Changes in Pension as well as anything listed as "Other" in the company's proxy statement.

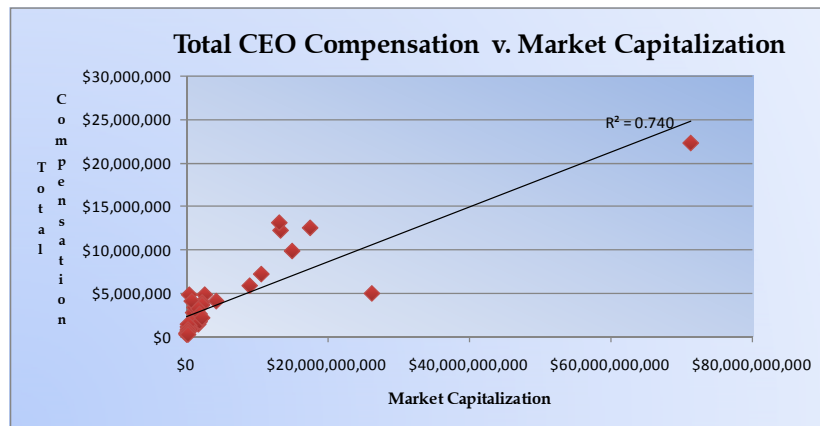
"HVS Pay-For-Performance Index" is based on an average of 100.0 Stock market data garnered from *Smart Money* and based on years ending December 31, 2003-2006

# Hotel CEO Compensation Breakdown



When analyzing each CEO's compensation, we calculated the median dollar amounts for each component.

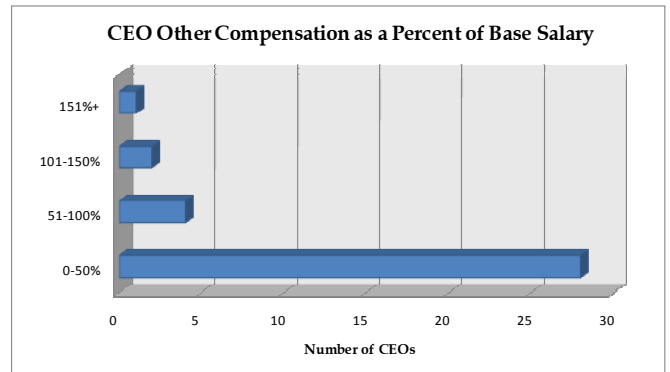
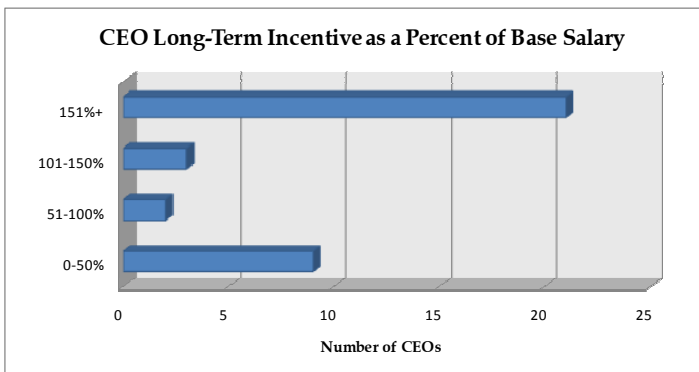
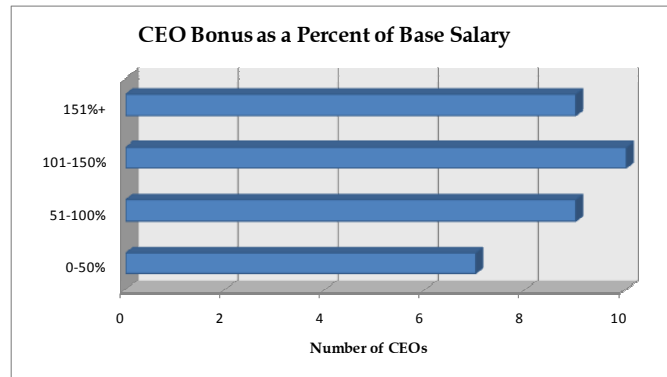
The largest portion of CEO compensation was in Long-Term Incentives. Long-Term Incentives represented 45% of a CEO's total compensation or \$946,107. Short-Term Incentive was the second largest component of total compensation at 27% or \$560,897 while the median salary was \$537,769 or 25% and other compensation made up the remaining 3% at \$70,568.



We conducted a regression analysis, plotting a company's market capitalization against total compensation. CEO compensation was strongly correlated to Market Capitalization. As illustrated in the above chart, the  $r^2$ -value was .740, which is considered high. This suggests that there is a linear relationship between the size of a company and total compensation.

## Hotel CEO Compensation Compared to Base Salary

In addition to determining the breakdown in compensation we also looked at various forms of compensation as they compared to base salary. The following charts show bonus, long-term incentive and other compensation as compared to base salary.



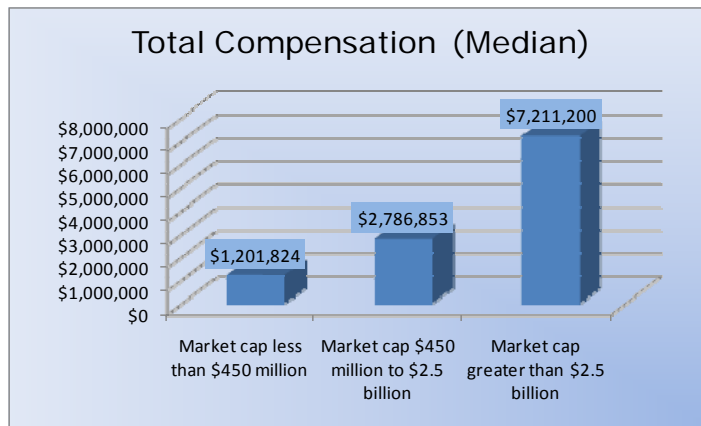
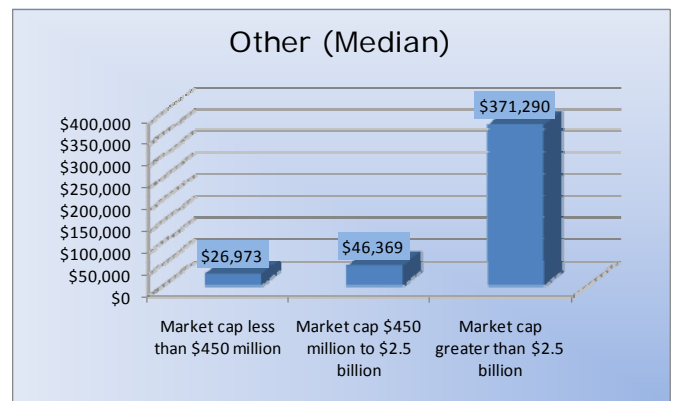
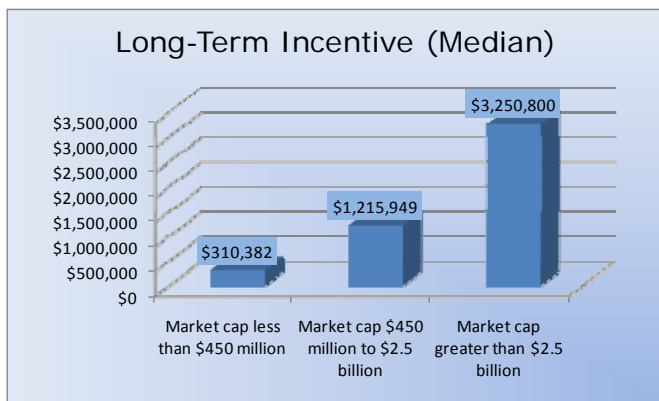
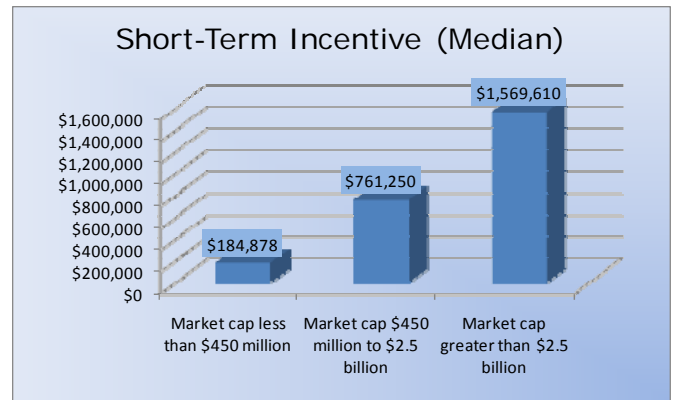
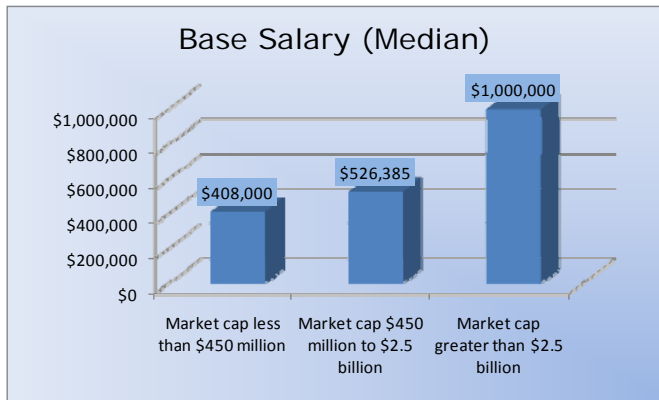
The split between bonus percentages was approximately even. There were slightly more CEOs paid over 100% of their base salary, with the highest being Disney's Robert Iger at 750%.

The majority of CEO Long-Term Incentive plans were valued at over 150% of base salary. Only 9 companies had incentives less than 50% of base salary. The middle range, between 51% and 150% represented only 5 CEOs.

The vast majority of Other Compensation was well below 50% of base salary. It included the value of pension plans, severance packages as well as other perks such as a corporate jet usage and housing.

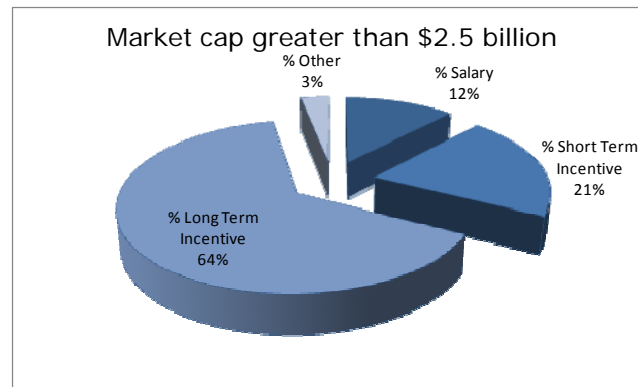
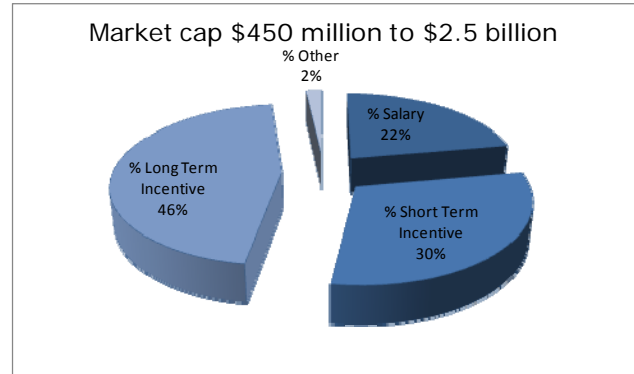
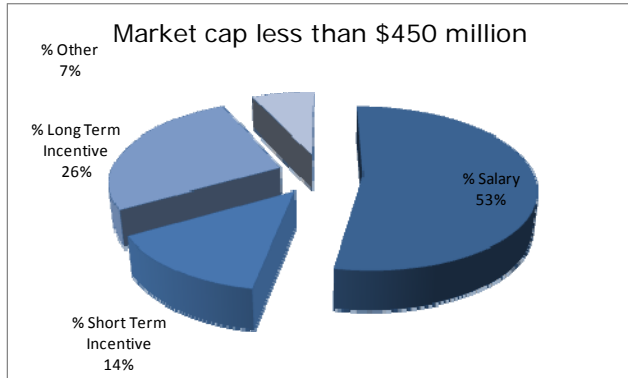


## Median CEO Compensation by Company Size



As previously noted, company size has a direct effect on compensation levels. The variance in pay was more pronounced with incentives. With the exception of other compensation all levels were significantly higher at larger companies. The increases in median compensation were more pronounced in Long-Term Incentive than Salary. The increase in salary from small to large was approximately 2.5 times, while the increase in Long-Term Incentives was 10.5 times.

## Comparative Compensation Breakdown by Company Size



Smaller hotel companies paid a larger share of total CEO compensation in the form of salary (53%). Medium and large sized companies paid a greater percentage of total compensation in the form of Long-Term Incentives. While base salary was more than half of total compensation for small companies, it only comprised 22% at medium companies and 12% at large companies.

## Highest Earning CEOs by Compensation Component

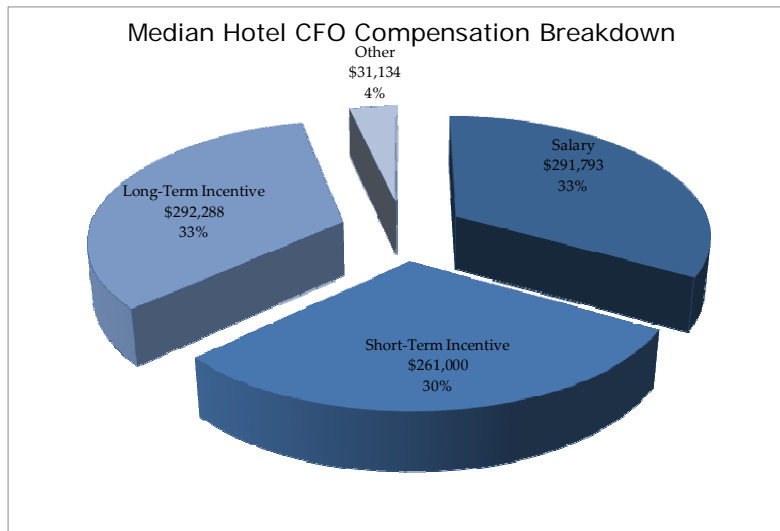
Top Salaries		
CEO	Company	Salary
Iger, Robert, A	Walt Disney	\$2,000,000
Tisch, Jonathan M.	Loews Hotels	\$1,275,000
Marriott, Jr., J. W.	Marriott	\$1,119,506
Fain, Richard D.	Royal Caribbean	\$1,017,789
Bollenbach, Stephen	Hilton Hotels	\$1,000,000

Top Bonuses		
CEO	Company	Bonus
Iger, Robert, A	Walt Disney	\$15,000,000
Fain, Richard D.	Royal Caribbean	\$2,914,960
Arison, M. Micky	Carnival	\$2,600,000
Bollenbach, Stephen	Hilton Hotels	\$2,137,830
Heyer, Steven J.*	Starwood Hotels & Resorts	\$2,000,000

Top Long-Term Incentive		
CEO	Company	LT Incentive
Nassetta, Christopher J.	Host Hotels & Resorts	\$10,521,383
Marriott, Jr., J. W.	Marriott Intl, Inc.	\$9,771,341
Bollenbach, Stephen	Hilton Hotels	\$8,720,247
Heyer, Steven J.*	Starwood Hotels & Resorts	\$6,385,292
Iger, Robert, A	Walt Disney	\$4,710,012

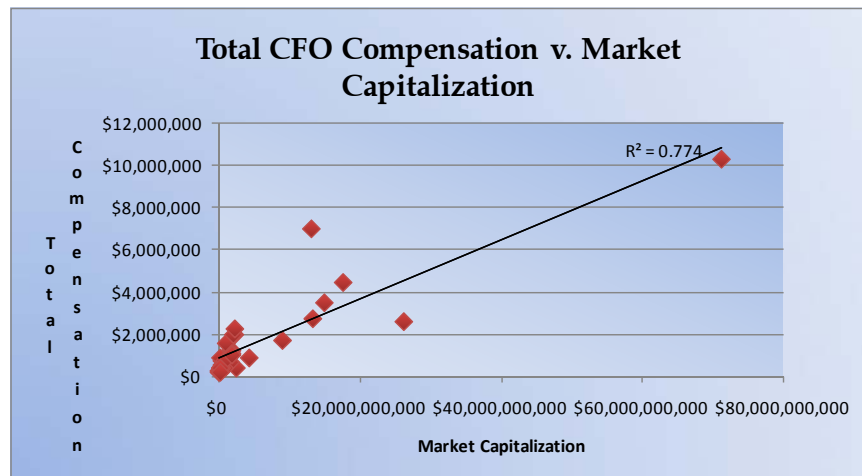
\*CEO no longer with company

## Hotel CFO Compensation Breakdown



When analyzing each CFO's compensation, we calculated the median dollar amounts for each component.

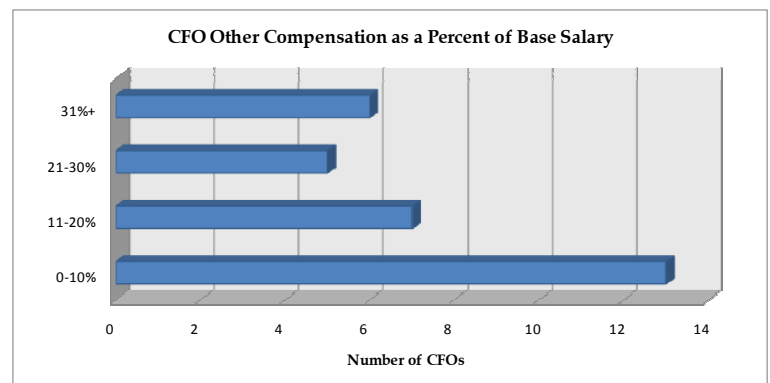
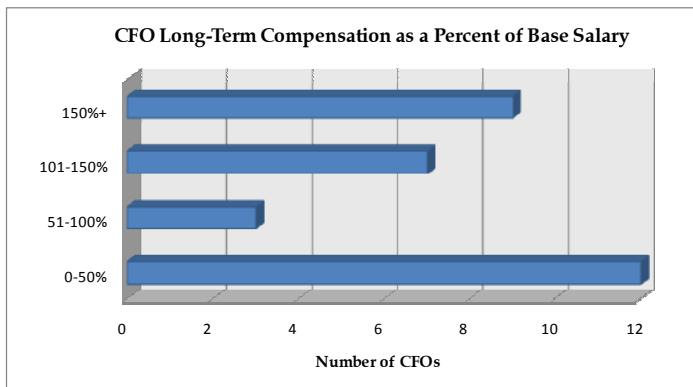
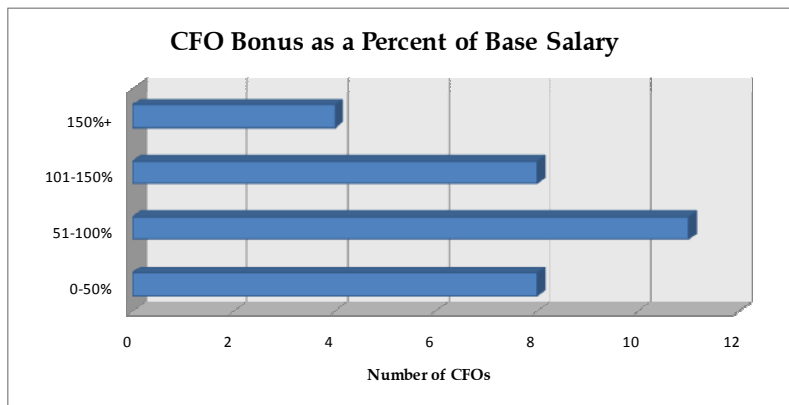
The largest portion of CFO compensation was in Salary and Long-Term Incentives. Long-Term Incentives represented 33% of a CEO's total compensation or \$292,288. Salary represented another 33% or \$291,793. Short-Term Incentive was the third largest component of total compensation at 30% or \$261,000 while other compensation made up the remaining 4% or \$31,134.



We conducted the same regression analysis for Chief Financial Officer compensation as we did for CEO. The results were similar, as CFO compensation was also strongly correlated to Market Capitalization. As illustrated in the above chart, the  $r^2$ -value was .774, which is considered high. This suggests that there is a linear relationship between the size of a company and total compensation.

## Hotel CFO Compensation Compared to Base Salary

In addition to determining the breakdown in compensation we also looked at various forms of compensation as they compared to base salary. The following charts show bonus, long-term incentive and other compensation as compared to base salary.

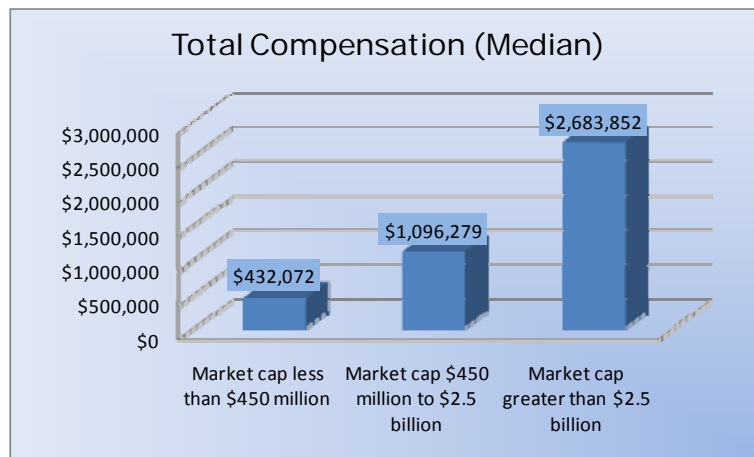
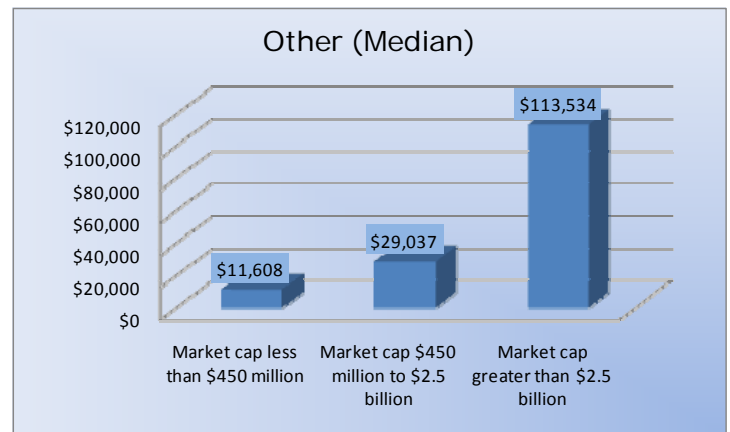
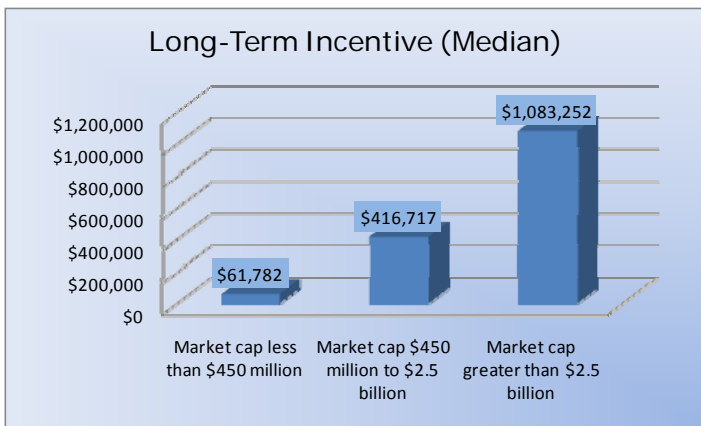
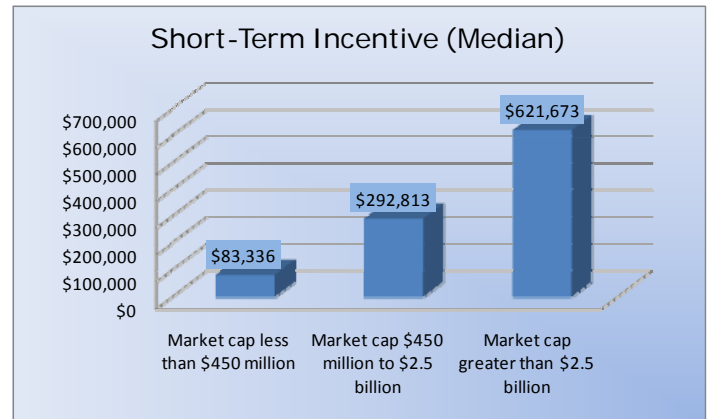
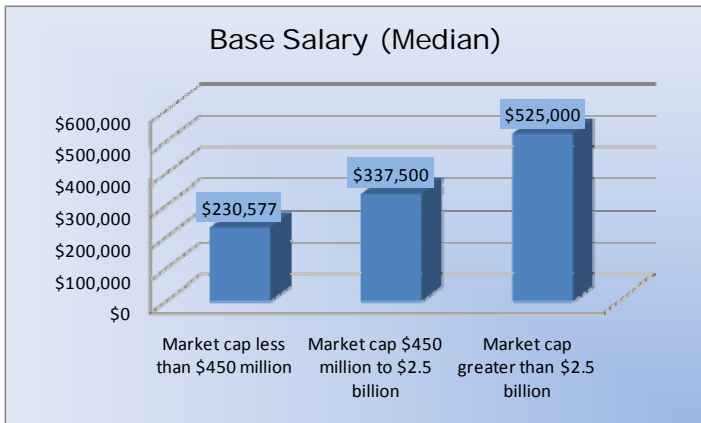


The majority of CFO bonuses were around the 100% range of base salary. Only 8 CFOs were paid a bonus less than 50% and only 4 were paid more than 150%.

Long-Term Incentive pay was distributed throughout all breakdowns, with 12 CFOs receiving packages less than 50% of their base salary and 9 valued at over 150%. This was in sharp contrast to CEO compensation where 20 companies paid Long-Term Incentives over 150% of base salary.

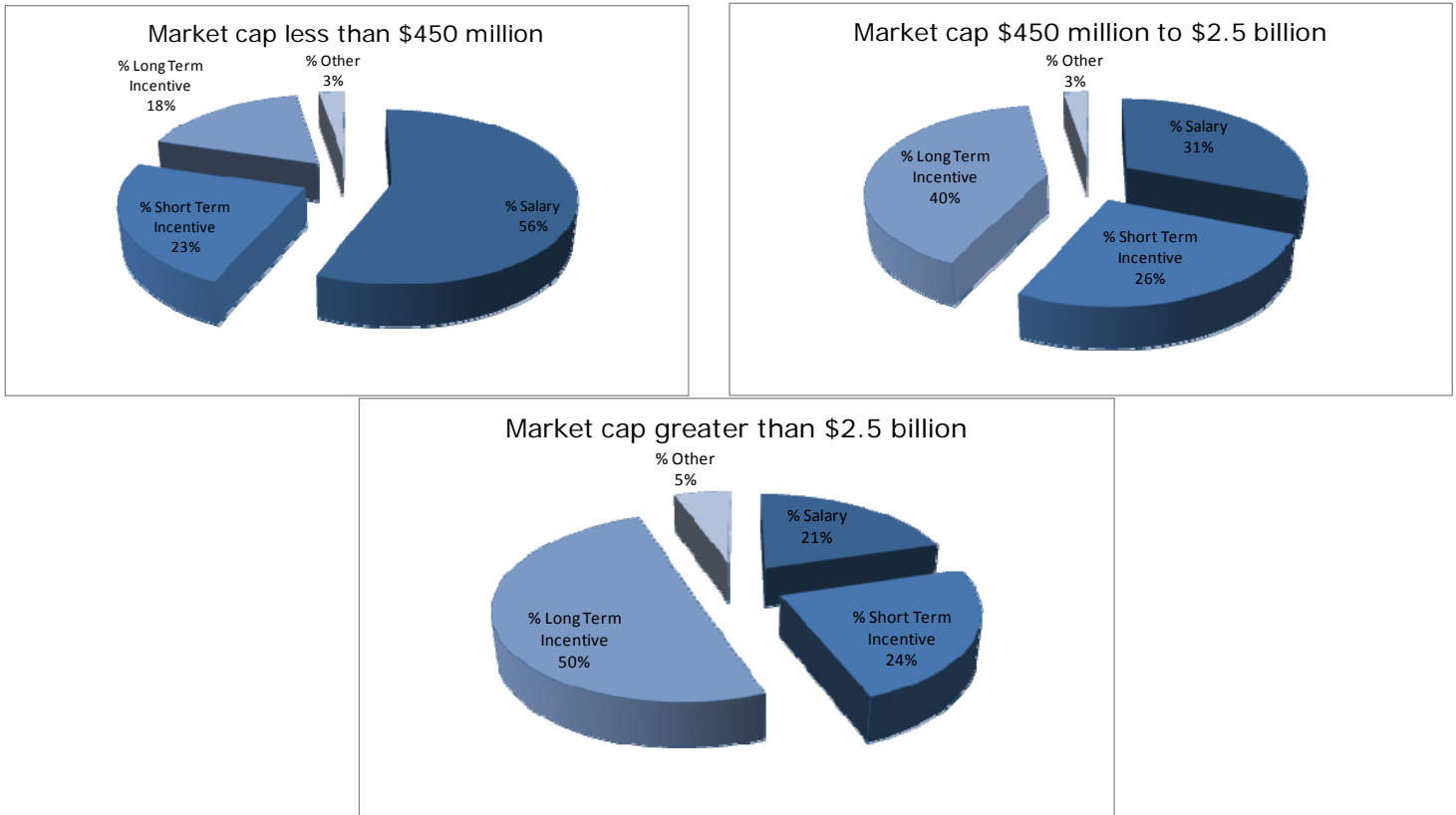
Other compensation was not nearly as significant with CFOs as with CEOs. More than 20 CFO's had other compensation that was less than 20% of their base salary.

## Median CFO Compensation by Company Size



As previously noted, company size has a direct effect on compensation levels. The variance in pay was more pronounced with incentives. The increases in median compensation were more pronounced in Long-Term Incentive than Salary. The increase in salary from small to large was approximately 2.25 times, while the increase in Long-Term Incentives was approximately 17 times.

## Comparative Compensation Breakdown by Company Size



Smaller hotel companies paid a larger share of total CFO compensation as salary, 56%, in comparison to medium companies which paid 31%, and large companies at 21%. The compensation breakdown is reversed for medium and large companies, where Long-Term Incentive pay is the largest component. Long-Term Incentive increases from 18% at small companies to 26% at medium, and up to 50% at large companies.

## Highest Earning CFOs by Compensation Component

Top Salaries		
CFO	Company	Salary
Thomas O. Staggs	Walt Disney	\$1,037,500
P.W. Keegan	Loews Hotels	\$990,000
Arne M. Sorenson	Marriott Intl, Inc.	\$609,000
Vasant Prabhu	Starwood Hotels & Res	\$578,667
Robert M. La Forgia	Hilton Hotels	\$550,000

Top Bonuses		
CFO	Company	Bonus
Thomas O. Staggs	Walt Disney	\$4,000,000
Robert M. La Forgia	Hilton Hotels	\$1,281,975
P.W. Keegan	Loews Hotels	\$1,010,000
W. Edward Walter	Host Hotels & Resorts	\$700,000
Brian J. Rice	Royal Caribbean	\$675,506

Top Long-Term Incentive		
CFO	Company	LT Incentive
W. Edward Walter	Host Hotels & Resort	\$5,700,324
Thomas O. Staggs	Walt Disney	\$4,000,000
Arne M. Sorenson	Marriott Intl, Inc.	\$3,109,016
Vasant Prabhu	Starwood Hotels & R	\$2,353,504
Jeffrey W. Jones	Vail Resorts, Inc.	\$1,395,000

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