UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 26, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-32514

DIAMONDROCK HOSPITALITY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Maryland **(State of Incorporation)**	20-1180098 **(I.R.S. Employer Identification No.)**
6903 Rockledge Drive, Suite 800, Bethesda, Maryland **(Address of Principal Executive Offices)**	**20817** **(Zip Code)**

(240) 744-1150
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes ☑ No

The registrant had 131,291,682 shares of its $0.01 par value common stock outstanding as of May 5, 2010.

INDEX

Item I. Financial Statements

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS
As of March 26, 2010 and December 31, 2009
(in thousands, except share amounts)

	March 26, 2010 (Unaudited)	December 31, 2009
ASSETS		
Property and equipment, at cost	$ 2,175,430	$ 2,171,311
Less: accumulated depreciation	(328,210)	(309,224)
	1,847,220	1,862,087
Deferred financing costs, net	3,549	3,624
Restricted cash	37,120	31,274
Due from hotel managers	50,365	45,200
Favorable lease assets, net	37,145	37,319
Prepaid and other assets	57,230	58,607
Cash and cash equivalents	181,402	177,380
Total assets	**$ 2,214,031**	**$ 2,215,491**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage debt	$ 785,263	$ 786,777
Senior unsecured credit facility	—	—
Total debt	785,263	786,777
Deferred income related to key money, net	19,633	19,763
Unfavorable contract liabilities, net	82,287	82,684
Due to hotel managers	30,336	29,847
Dividends declared and unpaid	—	41,810
Accounts payable and accrued expenses	70,286	79,104
Total other liabilities	202,542	253,208
Stockholders' Equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $.01 par value; 200,000,000 shares authorized; 131,053,682 and 124,299,423 shares issued and outstanding at March 26, 2010 and December 31, 2009, respectively	1,311	1,243
Additional paid-in capital	1,370,165	1,311,053
Accumulated deficit	(145,250)	(136,790)
Total stockholders' equity	1,226,226	1,175,506
Total liabilities and stockholders' equity	**$ 2,214,031**	**$ 2,215,491**

The accompanying notes are an integral part of these condensed consolidated financial statements.

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Fiscal Quarters Ended March 26, 2010 and March 27, 2009
(in thousands, except per share amounts)

	Fiscal Quarter Ended March 26, 2010 (Unaudited)	Fiscal Quarter Ended March 27, 2009 (Unaudited)
Revenues:		
Rooms	$ 71,648	$ 75,116
Food and beverage	35,552	36,890
Other	5,628	6,538
Total revenues	112,828	118,544
Operating Expenses:		
Rooms	20,073	19,982
Food and beverage	24,725	26,581
Management fees	3,072	3,327
Other hotel expenses	44,629	46,024
Depreciation and amortization	18,907	18,717
Corporate expenses	3,351	3,769
Total operating expenses	114,757	118,400
Operating (loss) profit	(1,929)	144
Other Expenses (Income):		
Interest income	(81)	(83)
Interest expense	8,126	11,498
Total other expenses	8,045	11,415
Loss before income taxes	(9,974)	(11,271)
Income tax benefit	1,628	5,978
Net loss	$ (8,346)	$ (5,293)
Loss per share:		
Basic and diluted loss per share	$ (0.07)	$ (0.06)

The accompanying notes are an integral part of these condensed consolidated financial statements.

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Quarters Ended March 26, 2010 and March 27, 2009
(in thousands)

	Fiscal Quarter Ended March 26, 2010 (Unaudited)	Fiscal Quarter Ended March 27, 2009 (Unaudited)
Cash flows from operating activities:		
Net loss	$ (8,346)	$ (5,293)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Real estate depreciation	18,907	18,717
Corporate asset depreciation as corporate expenses	34	34
Non-cash ground rent	1,789	1,787
Non-cash financing costs as interest expense	227	193
Non-cash reversal of penalty interest	(3,134)	—
Amortization of unfavorable contract liabilities	(397)	(397)
Amortization of deferred income	(130)	(130)
Stock-based compensation	786	1,207
Changes in assets and liabilities:		
Prepaid expenses and other assets	1,377	1,658
Restricted cash	917	1,383
Due to/from hotel managers	(4,676)	3,570
Accounts payable and accrued expenses	(6,769)	(8,886)
Net cash provided by operating activities	585	13,843
Cash flows from investing activities:		
Hotel capital expenditures	(4,604)	(7,293)
Change in restricted cash	(6,763)	143
Net cash used in investing activities	(11,367)	(7,150)
Cash flows from financing activities:		
Repayments of credit facility	—	(5,000)
Scheduled mortgage debt principal payments	(1,513)	(1,002)
Repurchase of common stock	(2,023)	(158)
Proceeds from sale of common stock, net	22,816	—
Payment of financing costs	(153)	—
Payment of cash dividends	(4,323)	(80)
Net cash provided by (used in) financing activities	14,804	(6,240)
Net increase in cash and cash equivalents	4,022	453
Cash and cash equivalents, beginning of period	177,380	13,830
Cash and cash equivalents, end of period	$ 181,402	$ 14,283
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 11,633	$ 11,987

The accompanying notes are an integral part of these condensed consolidated financial statements.

DIAMONDROCK HOSPITALITY COMPANY

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

DiamondRock Hospitality Company (the "Company" or "we") is a lodging-focused real estate company that owns a portfolio of 20 premium hotels and resorts. Our hotels are concentrated in key gateway cities and in destination resort locations and are all operated under a brand owned by one of the leading global lodging brand companies (Marriott International, Inc. ("Marriott"), Starwood Hotels & Resorts Worldwide, Inc. ("Starwood") or Hilton Worldwide ("Hilton")). We are an owner, as opposed to an operator, of hotels. As an owner, we receive all of the operating profits or losses generated by our hotels, after we pay fees to the hotel manager, which are based on the revenues and profitability of the hotels.

As of March 26, 2010, we owned 20 hotels, comprising 9,586 rooms, located in the following markets: Atlanta, Georgia (3); Austin, Texas; Boston, Massachusetts; Chicago, Illinois (2); Fort Worth, Texas; Lexington, Kentucky; Los Angeles, California (2); New York, New York (2); Northern California; Oak Brook, Illinois; Orlando, Florida; Salt Lake City, Utah; Washington D.C.; St. Thomas, U.S. Virgin Islands; and Vail, Colorado.

We conduct our business through a traditional umbrella partnership REIT, or UPREIT, in which our hotel properties are owned by our operating partnership, DiamondRock Hospitality Limited Partnership, or subsidiaries of our operating partnership. The Company is the sole general partner of the operating partnership and currently owns, either directly or indirectly, all of the limited partnership units of the operating partnership.

2. Summary of Significant Accounting Policies

Basis of Presentation

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles, or GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2009, included in our Annual Report on Form 10-K dated February 26, 2010.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of March 26, 2010 and the results of our operations and cash flows for the fiscal quarters ended March 26, 2010 and March 27, 2009. Interim results are not necessarily indicative of full-year performance because of the impact of seasonal and short-term variations.

Our financial statements include all of the accounts of the Company and its subsidiaries in accordance with U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation.

Reporting Periods

The results we report in our condensed consolidated statements of operations are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different reporting periods. Marriott, the manager of most of our properties, uses a fiscal year ending on the Friday closest to December 31 and reports twelve weeks of operations for each of the first three quarters and sixteen or seventeen weeks for the fourth quarter of the year for its domestic managed hotels. In contrast, Marriott, for its non-domestic hotels (including Frenchman's Reef), Vail Resorts, manager of the Vail Marriott, Davidson Hotel Company, manager of the Westin Atlanta North at Perimeter, Hilton Hotels Corporation, manager of the Conrad Chicago, and Westin Hotel Management, L.P, manager of the Westin Boston Waterfront Hotel report results on a monthly basis. Additionally, as a REIT, we are required by U.S. federal tax laws to report results on a calendar year basis. As a result, we have adopted the reporting periods used by Marriott for its domestic hotels, except that the fiscal year always ends on December 31 to comply with REIT rules. The first three fiscal quarters end on the same day as Marriott's fiscal quarters but the fourth quarter ends on December 31 and the full year results, as reported in the statement of operations, always include the same number of days as the calendar year.

Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on January 1, and (2) the first and fourth quarters of operations and year-to-date operations may not include the same number of days as reflected in prior years.

While the reporting calendar we adopted is more closely aligned with the reporting calendar used by the manager of most of our properties, one final consequence of the calendar is we are unable to report any results for Frenchman's Reef, Vail Marriott, Westin Atlanta North at Perimeter, Conrad Chicago, or Westin Boston Waterfront Hotel for the month of operations that ends after its fiscal quarter-end because neither Westin Hotel Management, L.P., Hilton Hotels Corporation, Davidson Hotel Company, Vail Resorts nor Marriott make mid-month results available to us. As a result, our quarterly results of operations include results from Frenchman's Reef, the Vail Marriott, the Westin Atlanta North at Perimeter, the Conrad Chicago, and the Westin Boston Waterfront Hotel as follows: first quarter (January and February), second quarter (March to May), third quarter (June to August) and fourth quarter (September to December). While this does not affect full-year results, it does affect the reporting of quarterly results.

Investment in Hotels

Acquired hotels, land improvements, building and furniture, fixtures and equipment and identifiable intangible assets are initially recorded at fair value. Additions to property and equipment, including current buildings, improvements, furniture, fixtures and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over an estimated useful life of 15 to 40 years for buildings and land improvements and one to ten years for furniture and equipment. Identifiable intangible assets are typically related to contracts, including ground lease agreements and hotel management agreements, which are recorded at fair value. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair market contract rates for corresponding contracts. Contracts acquired that are at market do not have significant value. We typically enter into a new hotel management agreement based on market terms at the time of acquisition. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements. In making estimates of fair values for purposes of allocating purchase price, we may utilize a number of sources that may be obtained in connection with the acquisition or financing of a property and other market data. Management also considers information obtained about each property as a result of its pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired.

We review our investments in hotels for impairment whenever events or changes in circumstances indicate that the carrying value of the investments in hotels may not be recoverable. Events or circumstances that may cause us to perform a review include, but are not limited to, adverse changes in the demand for lodging at our properties due to declining national or local economic conditions and/or new hotel construction in markets where our hotels are located. When such conditions exist, management performs an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the ultimate disposition of an investment in a hotel exceed the hotel's carrying value. If the estimated undiscounted future cash flows are less than the carrying amount of the asset, an adjustment to reduce the carrying value to the estimated fair market value is recorded and an impairment loss recognized.

Revenue Recognition

Revenues from operations of the hotels are recognized when the services are provided. Revenues consist of room sales, golf sales, food and beverage sales, and other hotel department revenues, such as telephone and gift shop sales.

Loss Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss), adjusted for dividends on unvested stock grants, by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income (loss), adjusted for dividends on unvested stock grants, by the weighted-average number of common shares outstanding during the period plus other potentially dilutive securities such as stock grants or shares issuable in the event of conversion of operating partnership units. No adjustment is made for shares that are anti-dilutive during a period.

Stock-based Compensation

We account for stock-based employee compensation using the fair value based method of accounting. We record the cost of awards with service conditions and market conditions based on the grant-date fair value of the award. For awards based on market conditions, the grant-date fair value is derived using an open form valuation model. The cost of the award is recognized over the period during which an employee is required to provide service in exchange for the award. No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted.

We have elected to be treated as a REIT under the provisions of the Internal Revenue Code and, as such, are not subject to federal income tax, provided we distribute all of our taxable income annually to our stockholders and comply with certain other requirements. In addition to paying federal and state income tax on any retained income, we are subject to taxes on "built-in-gains" on sales of certain assets. Additionally, our taxable REIT subsidiaries are subject to federal, state and foreign income tax.

Intangible Assets and Liabilities

Intangible assets and liabilities are recorded on non-market contracts assumed as part of the acquisition of certain hotels. We review the terms of agreements assumed in conjunction with the purchase of a hotel to determine if the terms are favorable or unfavorable compared to an estimated market agreement at the acquisition date. Favorable lease assets or unfavorable contract liabilities are recorded at the acquisition date and amortized using the straight-line method over the term of the agreement. We do not amortize intangible assets with indefinite useful lives, but review these assets for impairment annually and if events or circumstances indicate that the asset may be impaired.

Straight-Line Rent

We record rent expense on leases that provide for minimum rental payments that increase in pre-established amounts over the remaining term of the lease on a straight-line basis as required by U.S. GAAP.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. We maintain cash and cash equivalents with various high credit-quality financial institutions. We perform periodic evaluations of the relative credit standing of these financial institutions and limit the amount of credit exposure with any one institution.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The state of the overall economy can significantly impact hotel operational performance and thus, impact our financial position. Should any of our hotels experience a significant decline in operational performance, it may affect our ability to make distributions to our stockholders and service debt or meet other financial obligations.

3. Property and Equipment

Property and equipment as of March 26, 2010 (unaudited) and December 31, 2009 consists of the following (in thousands):

	March 26, 2010	December 31, 2009
Land	$ 220,445	$ 220,445
Land improvements	7,994	7,994
Buildings	1,672,787	1,671,821
Furniture, fixtures and equipment	273,125	270,042
CIP and corporate office equipment	1,079	1,009
	2,175,430	2,171,311
Less: accumulated depreciation	(328,210)	(309,224)
	$ 1,847,220	$ 1,862,087

4. Favorable Lease Assets

In connection with the acquisition of certain hotels, we have recognized intangible assets for favorable ground leases. The favorable lease assets are recorded at the acquisition date and amortized using the straight-line method over the term of the non-cancelable term of the lease agreement.

We also own a favorable lease asset related to the right to acquire a leasehold interest in a parcel of land adjacent to the Westin Boston Waterfront Hotel for the development of a 320 to 350 room hotel (the “lease right”). We do not amortize the lease right but review the asset for impairment if events or circumstances indicate that the asset may be impaired. We have not recorded any impairment losses during 2010. As of March 26, 2010, the carrying amount of the lease right is $9.5 million.

The U.S. GAAP fair value hierarchy assigns a level to fair value measurements based on inputs used: Level 1 inputs are quoted prices in active markets for identical assets and liabilities; Level 2 inputs are inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly; or Level 3 inputs are unobservable inputs. The fair value of the lease right is a Level 3 measurement and is derived from a discounted cash flow model using the favorable difference between the estimated participating rents in accordance with the lease terms and the estimated market rents. The discount rate was estimated using a risk adjusted rate of return, the estimated participating rents were estimated based on a hypothetical completed 327-room hotel comparable to our Westin Boston Waterfront Hotel, and market rents were based on comparable long-term ground leases in the City of Boston. The methodology used to determine the fair value of the lease right is consistent with the methodology used since acquisition of the lease right.

5. Capital Stock

Common Shares

We are authorized to issue up to 200,000,000 shares of common stock, $.01 par value per share. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Holders of our common stock are entitled to receive dividends out of assets legally available for the payment of dividends when authorized by our board of directors.

Stock Dividend. On January 29, 2010, we paid a dividend to stockholders of record as of December 28, 2009 in the amount of $0.33 per share. We relied on the Internal Revenue Service’s Revenue Procedure 2009-15, as amplified and superseded by Revenue Procedure 2010-12, that allowed us to pay up to 90% of that dividend in shares of common stock and the remainder in cash. Based on stockholder elections, we paid the dividend in the form of approximately 3.9 million shares of common stock and $4.3 million of cash.

Controlled Equity Offering Program. During the first quarter ended March 26, 2010, we completed our previously announced $75 million controlled equity offering program by selling 2.8 million shares at an average price of $9.13 per share, raising net proceeds of $25.1 million. Of the shares sold during the quarter, 0.2 million shares, representing net proceeds of $2.3 million, settled subsequent to March 26, 2010.

Preferred Shares

We are authorized to issue up to 10,000,000 shares of preferred stock, $.01 par value per share. Our board of directors is required to set for each class or series of preferred stock the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption. As of March 26, 2010 and December 31, 2009, there were no shares of preferred stock outstanding.

Operating Partnership Units

Holders of operating partnership units have certain redemption rights, which enable them to cause our operating partnership to redeem their units in exchange for cash per unit equal to the market price of our common stock, at the time of redemption, or, at our option for shares of our common stock on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the limited partners or our stockholders. As of March 26, 2010 and December 31, 2009, there were no operating partnership units held by unaffiliated third parties.

6. Stock Incentive Plans

We are authorized to issue up to 8,000,000 shares of our common stock under our 2004 Stock Option and Incentive Plan, as amended (the “Incentive Plan”), of which we have issued or committed to issue 3,307,836 shares as of March 26, 2010. In addition to these shares, additional shares could be issued related to the Stock Appreciation Rights and Market Stock Unit awards as further described below.

In April 2010, our board of directors approved an amendment to the Incentive Plan primarily to add a deferred compensation program, which will permit non-employee directors to elect to defer the receipt of the annual unrestricted stock award under the Incentive Plan that is generally made to non-employee directors following the Company’s annual stockholders meeting. Those non-employee directors who elect to defer such awards will instead be granted an award of deferred stock units under the Incentive Plan. The deferred stock units will be settled in shares of stock in a lump sum six months after a director ceases to be a member of our board of directors.

Restricted Stock Awards

Restricted stock awards issued to our officers and employees vest over a three-year period from the date of the grant based on continued employment. We measure compensation expense for the restricted stock awards based upon the fair market value of our common stock at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying condensed consolidated statements of operations.

A summary of our restricted stock awards from January 1, 2010 to March 26, 2010 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2010	1,719,376	$ 4.76
Granted	356,425	8.41
Additional shares from dividends	46,206	9.57
Vested	(573,848)	5.19
Unvested balance at March 26, 2010	1,548,159	$ 5.49

The remaining share awards are expected to vest as follows: 848,428 shares during 2011, 580,918 shares during 2012 and 118,813 during 2013. As of March 26, 2010, the unrecognized compensation cost related to restricted stock awards was $6.4 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 26 months. For the fiscal quarters ended March 26, 2010 and March 27, 2009, we recorded $0.7 million and $1.1 million, respectively, of compensation expense related to restricted stock awards.

Deferred Stock Awards

At the time of our initial public offering, we made a commitment to issue 382,500 shares of deferred stock units to our senior executive officers. These deferred stock units are fully vested and represent the promise to issue a number of shares of our common stock to each senior executive officer upon the earlier of (i) a change of control or (ii) five years after the date of grant, which was the initial public offering completion date (the “Deferral Period”). However, if an executive’s service with the Company is terminated for “cause” prior to the expiration of the Deferral Period, all deferred stock unit awards will be forfeited. The executive officers are restricted from transferring these shares until the fifth anniversary of the initial public offering completion date, which is June 2010. As of March 26, 2010, we have a commitment to issue 482,715 shares under this plan. The share commitment increased from 382,500 to 482,715 since our initial public offering because current dividends are not paid out but instead are effectively reinvested in additional deferred stock units based on the closing price of our common stock on the dividend payment date.

Stock Appreciation Rights and Dividend Equivalent Rights

In 2008, we awarded our executive officers stock-settled Stock Appreciation Rights (“SARs”) and Dividend Equivalent Rights (“DERs”). The SARs/DERs vest over three years based on continued employment and may be exercised, in whole or in part, at any time after the instrument vests and before the tenth anniversary of issuance. Upon exercise, the holder of a SAR is entitled to receive a number of common shares equal to the positive difference, if any, between the closing price of our common stock on the exercise date and the “strike price.” The strike price is equal to the closing price of our common stock on the SAR grant date. We simultaneously issued one DER for each SAR. The DER entitles the holder to the value of dividends issued on one share of common stock. No dividends are paid on a DER prior to vesting, but upon vesting, the holder of each DER will receive a lump sum equal to the cumulative dividends paid per share of common stock from the grant date through the vesting date. We measure compensation expense of the SAR/DER awards based upon the fair market value of these awards at the grant date. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying condensed consolidated statements of operations. For the fiscal quarters ended March 26, 2010 and March 27, 2009, we recorded approximately $0.1 million and $0.2 million, respectively, of compensation expense related to the SARs/DERs. A summary of our SARs/DERs from January 1, 2010 to March 26, 2010 is as follows:

	Number of SARs/DERs	Weighted-Average Grant Date Fair Value
Balance at January 1, 2010	300,225	$ 6.62
Granted	—	—
Exercised	—	—
Balance at March 26, 2010	300,225	$ 6.62

As of March 26, 2010, approximately two-thirds of the SAR/DER awards were vested. The remainder is expected to vest in March 2011. As of March 26, 2010, the unrecognized compensation cost related to the SAR/DER awards was $0.3 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately one year.

Market Stock Units

We have awarded our executive officers market stock units (“MSUs”). MSUs are restricted stock units that vest three years from the date of grant, subject to the achievement of certain levels of total stockholder return over the vesting period (the “Performance Period”). We do not pay dividends on the shares of common stock underlying the MSUs; instead, the dividends are effectively reinvested as each of the executive officers is credited with an additional number of MSUs that have a fair market value (based on the closing stock price on the day the dividend is paid) equal to the amount of the dividend that would have been awarded for those shares.

Each executive officer was granted a target number of MSUs (the “Target Award”). The actual number of MSUs that will be earned, if any, and converted to common stock at the end of the Performance Period is equal to the Target Award plus an additional number of shares of common stock to reflect dividends that would have been paid during the Performance Period on the Target Award multiplied by the percentage of total stockholder return over the Performance Period. The total stockholder return is based on the 30-trading day average closing price of our common stock calculated on the vesting date plus dividends paid and the 30-trading day average closing price of our common stock on the date of grant. There will be no payout of shares of our common stock if the total stockholder return percentage on the vesting date is less than negative 50%. The maximum payout to an executive officer under an MSU award is equal to 150% of the Target Award.

On March 3, 2010, we issued 84,854 MSUs to our executive officers with an aggregate fair value of $0.8 million, or $9.87 per share. We used a Monte Carlo simulation model to determine the grant-date fair value of the awards using the following assumptions: expected volatility of 68% and a risk-free rate of 1.33%. We recorded approximately $21,000 of compensation expense related to the MSUs during the fiscal quarter ended March 26, 2010. As of March 26, 2010, the unrecognized compensations costs related to the MSU awards was $0.8 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 34 months.

7. Loss Per Share

Basic loss per share is calculated by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding. Diluted loss per share is calculated by dividing net loss available to common stockholders that has been adjusted for dilutive securities, by the weighted-average number of common shares outstanding including dilutive securities. Our unvested restricted stock, unexercised SARs and unvested MSUs are anti-dilutive for the fiscal quarters ended March 26, 2010 and March 27, 2009.

The following is a reconciliation of the calculation of basic and diluted loss per share (in thousands, except share and per share data):

	Fiscal Quarter Ended March 26, 2010 (unaudited)	Fiscal Quarter Ended March 27, 2009 (unaudited)
Basic Loss per Share Calculation:		
Numerator:		
Net loss	$ (8,346)	$ (5,293)
Less: dividends on unvested restricted common stock	—	—
Net loss after dividends on unvested restricted common stock	$ (8,346)	$ (5,293)
Weighted-average number of common shares outstanding—basic	127,747,674	90,551,505
Basic loss per share	$ (0.07)	$ (0.06)
Diluted Loss per Share Calculation:		
Numerator:		
Net loss	$ (8,346)	$ (5,293)
Less: dividends on unvested restricted common stock	—	—
Net loss after dividends on unvested restricted common stock	$ (8,346)	$ (5,293)
Weighted-average number of common shares outstanding—basic	127,747,674	90,551,505
Unvested restricted common stock	—	—
Unexercised SARs	—	—
Unvested MSUs	—	—
Weighted-average number of common shares outstanding—diluted	127,747,674	90,551,505
Diluted loss per share	$ (0.07)	$ (0.06)

8. Debt

We have incurred limited recourse, property specific mortgage debt in conjunction with certain of our hotels. In the event of default, the lender may only foreclose on the pledged assets; however, in the event of fraud, misapplication of funds and other customary recourse provisions, the lender may seek payment from us. As of March 26, 2010, ten of our 20 hotel properties were secured by mortgage debt. Our mortgage debt contains certain property specific covenants and restrictions, including minimum debt service coverage ratios that trigger “cash trap” provisions as well as restrictions on incurring additional debt without lender consent. As of March 26, 2010, we were in compliance with the financial covenants of our mortgage debt. Subsequent to the end of the first quarter, the lender on the Courtyard Manhattan/Midtown East mortgage notified us that the cash trap provision was triggered.

The following table sets forth information regarding the Company's debt as of March 26, 2010 (unaudited), in thousands:

	Principal Balance	Interest Rate
Courtyard Manhattan / Midtown East	$ 42,876	8.81%
Marriott Salt Lake City Downtown	32,757	5.50%
Courtyard Manhattan / Fifth Avenue	51,000	6.48%
Renaissance Worthington	56,906	5.40%
Frenchman's Reef & Morning Star Marriott Beach Resort	61,199	5.44%
Marriott Los Angeles Airport	82,600	5.30%
Orlando Airport Marriott	59,000	5.68%
Chicago Marriott Downtown Magnificent Mile	218,925	5.975%
Renaissance Austin	83,000	5.507%
Renaissance Waverly	97,000	5.503%
Senior unsecured credit facility	—	LIBOR + 1.25
Total debt	$ 785,263	
Weighted-Average Interest Rate		5.86%

Mortgage Loan Modification

As of December 31,2009, we had not completed certain capital projects at Frenchman's Reef & Morning Star Marriott Beach Resort ("Frenchman's Reef") as required by the mortgage loan secured by the hotel (the "Loan"). As a result, we had accrued $3.1 million of penalty interest as of December 31, 2009. During the fiscal quarter ended March 26, 2010, we amended certain provisions of the Loan. The lender provided us with a waiver for any penalty interest and an extension to December 31, 2010 and December 31, 2011, respectively, for the completion date of certain lender required capital projects. In conjunction with the Loan modification, we pre-funded $5.0 million for the capital projects into an escrow account and paid the lender a $150,000 modification fee. As a result of the modification, we reversed the $3.1 million accrual for penalty interest, which was recorded as an offset to interest expense in the accompanying condensed consolidated statement of operations.

Senior Unsecured Credit Facility

We are party to a four-year, $200.0 million unsecured credit facility (the "Facility") expiring in February 2011. The maturity date of the Facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain other customary conditions. Interest is paid on the periodic advances under the Facility at varying rates, based upon either LIBOR or the alternate base rate, plus an agreed upon additional margin amount. The interest rate depends upon our level of outstanding indebtedness in relation to the value of our assets from time to time, as follows:

	Leverage Ratio			
	60% or Greater	55% to 60%	50% to 55%	Less Than 50%
Alternate base rate margin	0.65%	0.45%	0.25%	0.00%
LIBOR margin	1.55%	1.45%	1.25%	0.95%

The Facility contains various corporate financial covenants. A summary of the most restrictive covenants is as follows:

	Covenant	Actual at March 26, 2010
Maximum leverage ratio(1)	65%	51.0%
Minimum fixed charge coverage ratio	1.6x	1.81x
Minimum tangible net worth(2)	$892.3 million	$1.6 billion
Unhedged floating rate debt as a percentage of total indebtedness	35%	0.0%

(1) "Maximum leverage ratio" is determined by dividing the total debt outstanding by the net asset value of our corporate assets and hotels. Hotel level net asset values are calculated based on the application of a contractual capitalization rate (which ranges from 7.5% to 8.0%) to the trailing twelve month hotel net operating income.

(2) "Tangible net worth" is defined as the gross book value of the Company's real estate assets and other corporate assets less the Company's total debt and all other corporate liabilities.

The Facility requires that we maintain a specific pool of unencumbered borrowing base properties. The unencumbered borrowing base assets are subject to the following limitations and covenants:

	Covenant	Actual at March 26, 2010
Minimum implied debt service ratio	1.5x	N/A
Maximum unencumbered leverage ratio	65%	0.0%
Minimum number of unencumbered borrowing base properties	4	10
Minimum unencumbered borrowing base value	$150 million	$525.4 million
Percentage of total asset value owned by borrowers or guarantors	90%	100%

In addition to the interest payable on amounts outstanding under the Facility, we are required to pay an amount equal to 0.20% of the unused portion of the Facility if the unused portion of the Facility is greater than 50% and 0.125% if the unused portion of the Facility is less than 50%. We incurred interest and unused credit facility fees of $0.1 million and $0.3 million for the fiscal quarters ended March 26, 2010 and March 27, 2009, respectively, on the Facility. As of March 26, 2010, we had no outstanding borrowings on the Facility.

We have reached agreement on a term sheet with certain lenders for a new $200 million unsecured credit facility with a three-year term and a one year extension option. There can be no assurances, however, that we will enter into the proposed credit facility as it remains subject to a variety of conditions, including the negotiation and execution of definitive loan agreements satisfactory to us and the satisfaction of closing conditions.

9. Fair Value of Financial Instruments

The fair value of certain financial assets and liabilities and other financial instruments as of March 26, 2010 (unaudited) and December 31, 2009, in thousands, are as follows:

	As of March 26, 2010		As of December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt	$ 785,263	$ 728,865	$ 786,777	$ 670,936

We estimate the fair value of our mortgage debt by discounting the future cash flows of each instrument at estimated market rates. The carrying values of our other financial instruments approximate fair value due to the short-term nature of these financial instruments.

10. Commitments and Contingencies

Litigation

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us. We are involved in routine litigation arising out of the ordinary course of business, all of which is expected to be covered by insurance and none of which is expected to have a material impact on our financial condition or results of operations.

Income Taxes

We had no accruals for tax uncertainties as of March 26, 2010 and December 31, 2009. As of March 26, 2010, all of our federal income tax returns and state tax returns for the jurisdictions in which our hotels are located remain subject to examination by the respective jurisdiction tax authorities.

The Frenchman's Reef & Morning Star Marriott Beach Resort is owned by a subsidiary that has elected to be treated as a taxable REIT subsidiary ("TRS"), and is subject to U.S. Virgin Island ("USVI") income taxes. We were party to a tax agreement with the USVI that reduced the income tax rate to approximately 4%. This agreement expired in February 2010. We are working to extend this agreement, which, if extended, would be effective as of the date of expiration, but we may not be successful. If the agreement is not extended, the TRS that owns Frenchman's Reef & Morning Star Marriott Beach Resort is subject to an income tax rate of 37.4%.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. These forward-looking statements are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions, whether in the negative or affirmative. Forward-looking statements are based on management's current expectations and assumptions and are not guarantees of future performance. Factors that may cause actual results to differ materially from current expectations include, but are not limited to, the risk factors discussed herein and other factors discussed from time to time in our periodic filings with the Securities and Exchange Commission. Accordingly, there is no assurance that the Company's expectations will be realized. Except as otherwise required by the federal securities laws, the Company disclaims any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this report to reflect events, circumstances or changes in expectations after the date of this report.

Overview

We are a lodging-focused real estate company that, as of May 5, 2010, owns a portfolio of 20 premium hotels and resorts that contain approximately 9,600 guestrooms. We are an owner, as opposed to an operator, of hotels. As an owner, we receive all of the operating profits or losses generated by our hotels, after we pay fees to the hotel manager, which are based on the revenues and profitability of the hotels.

Our vision is to be the premier allocator of capital in the lodging industry. Our mission is to deliver long-term stockholder returns through a combination of dividends and long-term capital appreciation. Our strategy is to utilize disciplined capital allocation and focus on acquiring, owning, and measured recycling of high quality, branded lodging properties in North America with superior long-term growth prospects and high barrier-to-entry for new supply. In addition, we are committed to enhancing the value of our platform by being open and transparent in our communications with investors, monitoring our corporate overhead and following sound corporate governance practices.

Consistent with our strategy, we continue to focus on opportunistically investing in premium full-service hotels and, to a lesser extent, premium urban limited-service hotels located throughout North America. Our portfolio of 20 hotels is concentrated in key gateway cities and in destination resort locations and are all operated under a brand owned by one of the leading global lodging brand companies (Marriott International, Inc. ("Marriott"), Starwood Hotels & Resorts Worldwide, Inc. ("Starwood") or Hilton Worldwide ("Hilton")).

We differentiate ourselves from our competitors because of our adherence to three basic principles:

- high-quality urban- and destination resort-focused branded hotel real estate;
- conservative capital structure; and
- thoughtful asset management.

High Quality Urban and Destination Resort Focused Branded Real Estate

We own 20 premium hotels and resorts in North America. These hotels and resorts are primarily categorized as upper upscale as defined by Smith Travel Research and are generally located in high barrier-to-entry markets with multiple demand generators.

Our properties are concentrated in five key gateway cities (New York City, Los Angeles, Chicago, Boston and Atlanta) and in destination resort locations (such as the U.S. Virgin Islands and Vail, Colorado). We believe that gateway cities and destination resorts will achieve higher long-term growth because they are attractive business and leisure destinations. We also believe that these locations are better insulated from new supply due to relatively high barriers-to-entry, including expensive construction costs and limited prime hotel development sites.

We believe that higher quality lodging assets create more dynamic cash flow growth and superior long-term capital appreciation.

In addition, a core tenet of our strategy is to leverage global hotel brands. We strongly believe in the value of powerful global brands because we believe that they are able to produce incremental revenue and profits compared to similar unbranded hotels. Dominant global hotel brands typically have very strong reservation and reward systems and sales organizations, and all of our hotels are operated under a brand owned by one of the top global lodging brand companies (Marriott, Starwood or Hilton) and all but two of our hotels are managed by the brand company directly. Generally, we are interested in owning hotels that are currently operated under, or can be converted to, a globally recognized brand.

Conservative Capital Structure

Since our formation in 2004, we have been committed to a flexible capital structure with prudent leverage. During 2004 through early 2007, we took advantage of the low interest rate environment by fixing our interest rates for an extended period of time. Moreover, during the peak years (2006 and 2007) in the commercial real estate market, we maintained low financial leverage by funding several of our acquisitions with proceeds from the issuance of equity. This capital markets strategy allowed us to maintain a balance sheet with a moderate amount of debt as the lodging cycle began to decline. During the peak years, we believed, and present events have confirmed, that it is not prudent to increase the inherent risk of a highly cyclical business through a highly levered capital structure.

We prefer a relatively simple but efficient capital structure. We have not invested in joint ventures and have not issued any operating partnership units or preferred stock. We endeavor to structure our hotel acquisitions so that they will not overly complicate our capital structure; however, we will consider a more complex transaction if we believe that the projected returns to our stockholders will significantly exceed the returns that would otherwise be available.

We have always strived to operate our business with prudent leverage. During 2009, a year that experienced a significant industry downturn, we focused on preserving and enhancing our liquidity. Based on a comprehensive action plan, which included equity offerings and debt repayment, we achieved that goal.

As of March 26, 2010, we had $181.4 million of unrestricted corporate cash. We believe that we maintain a reasonable amount of fixed interest rate mortgage debt. As of March 26, 2010, we had $785.3 million of mortgage debt outstanding with a weighted average interest rate of 5.9 percent and a weighted average maturity date of approximately 5.8 years, with no maturities until late 2014. In addition, we currently have ten hotels unencumbered by debt and no corporate-level debt outstanding.

Thoughtful Asset Management

We believe that we are able to create significant value in our portfolio by utilizing our management team's extensive experience and our innovative asset management strategies. Our senior management team has an established broad network of hotel industry contacts and relationships, including relationships with hotel owners, financiers, operators, project managers and contractors and other key industry participants.

In the current economic environment, we believe that our extensive lodging experience, our network of industry relationships and our asset management strategies position us to minimize the impact of declining revenues on our hotels. In particular, we are focused on controlling our property-level and corporate expenses, as well as working closely with our managers to optimize the mix of business at our hotels in order to maximize potential revenue. Our property-level cost containment efforts include the implementation of aggressive contingency plans at each of our hotels. The contingency plans include controlling labor expenses, eliminating hotel staff positions, adjusting food and beverage outlet hours of operation and not filling open positions. In addition, our strategy to significantly renovate many of the hotels in our portfolio from 2006 to 2008 resulted in the flexibility to significantly curtail our planned capital expenditures for 2009 and 2010.

We use our broad network of hotel industry contacts and relationships to maximize the value of our hotels. Under the regulations governing REITs, we are required to engage a hotel manager that is an eligible independent contractor through one of our subsidiaries to manage each of our hotels pursuant to a management agreement. Our philosophy is to negotiate management agreements that give us the right to exert significant influence over the management of our properties, annual budgets and all capital expenditures (to the extent permitted under the REIT rules), and then to use those rights to continually monitor and improve the performance of our properties. We cooperatively partner with the managers of our hotels in an attempt to increase operating results and long-term asset values at our hotels. In addition to working directly with the personnel at our hotels, our senior management team also has long-standing professional relationships with our hotel managers' senior executives, and we work directly with these senior executives to improve the performance of our portfolio.

We believe we can create significant value in our portfolio through innovative asset management strategies such as rebranding, renovating and repositioning. We are committed to regularly evaluating our portfolio to determine if we can employ these value-added strategies at our hotels.

Key Indicators of Financial Condition and Operating Performance

We use a variety of operating and other information to evaluate the financial condition and operating performance of our business. These key indicators include financial information that is prepared in accordance with GAAP, as well as other financial information that is not prepared in accordance with GAAP. In addition, we use other information that may not be financial in nature, including statistical information and comparative data. We use this information to measure the performance of individual hotels, groups of hotels and/or our business as a whole. We periodically compare historical information to our internal budgets as well as industry-wide information. These key indicators include:

- Occupancy percentage;
- Average Daily Rate (or ADR);
- Revenue per Available Room (or RevPAR);
- Earnings Before Interest, Income Taxes, Depreciation and Amortization (or EBITDA); and
- Funds From Operations (or FFO).

Occupancy, ADR and RevPAR are commonly used measures within the hotel industry to evaluate operating performance. RevPAR, which is calculated as the product of ADR and occupancy percentage, is an important statistic for monitoring operating performance at the individual hotel level and across our business as a whole. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a company-wide and regional basis. ADR and RevPAR include only room revenue. Room revenue comprised approximately 64% of our total revenues for the fiscal quarter ended March 26, 2010, and is dictated by demand, as measured by occupancy percentage, pricing, as measured by ADR, and our available supply of hotel rooms.

Our ADR, occupancy percentage and RevPAR performance may be impacted by macroeconomic factors such as regional and local employment growth, personal income and corporate earnings, office vacancy rates and business relocation decisions, airport and other business and leisure travel, new hotel construction and the pricing strategies of competitors. In addition, our ADR, occupancy percentage and RevPAR performance is dependent on the continued success of Marriott and its brands as well as the Westin and Conrad brands.

We also use EBITDA and FFO as measures of the financial performance of our business. See “Non-GAAP Financial Matters.”

Table of Contents

Our Hotels

The following table sets forth certain operating information for each of our hotels for the period from January 1, 2010 to March 26, 2010.

Property	Location	Number of Rooms	Occupancy	ADR($)	RevPAR($)	% Change from 2009 RevPAR
Chicago Marriott	Chicago, Illinois	1,198	52.0%	$ 146.43	$ 76.21	(13.7%)
Los Angeles Airport Marriott	Los Angeles, California	1,004	82.9%	106.43	88.24	(4.5%)
Westin Boston Waterfront Hotel (1)	Boston, Massachusetts	793	49.3%	154.19	76.04	(2.1%)
Renaissance Waverly Hotel	Atlanta, Georgia	521	69.7%	130.48	90.93	4.6%
Salt Lake City Marriott Downtown	Salt Lake City, Utah	510	53.5%	137.90	73.78	(9.0%)
Renaissance Worthington	Fort Worth, Texas	504	76.2%	155.34	118.38	(0.3%)
Frenchman's Reef & Morning Star Marriott Beach Resort (1)	St. Thomas, U.S. Virgin Islands	502	82.4%	294.01	242.25	3.4%
Renaissance Austin Hotel	Austin, Texas	492	63.7%	145.30	92.61	(6.0%)
Torrance Marriott South Bay	Los Angeles County, California	487	81.7%	99.19	81.00	8.2%
Orlando Airport Marriott	Orlando, Florida	486	80.6%	106.65	85.92	(12.9%)
Marriott Griffin Gate Resort	Lexington, Kentucky	408	49.4%	105.58	52.20	(1.7%)
Oak Brook Hills Marriott Resort	Oak Brook, Illinois	386	36.6%	103.85	38.06	2.4%
Westin Atlanta North at Perimeter (1)	Atlanta, Georgia	369	67.3%	101.97	68.62	(5.9%)
Vail Marriott Mountain Resort & Spa (1)	Vail, Colorado	346	82.0%	302.83	248.44	8.2%
Marriott Atlanta Alpharetta	Atlanta, Georgia	318	68.7%	120.67	82.86	6.4%
Courtyard Manhattan/Midtown East	New York, New York	312	77.3%	184.21	142.44	(10.3%)
Conrad Chicago (1)	Chicago, Illinois	311	51.3%	144.27	74.03	(15.7%)
Bethesda Marriott Suites	Bethesda, Maryland	272	57.3%	164.83	94.38	(15.2%)
Courtyard Manhattan/Fifth Avenue	New York, New York	185	82.4%	204.03	168.11	(5.1%)
The Lodge at Sonoma, a Renaissance Resort & Spa	Sonoma, California	182	47.4%	152.71	72.35	13.1%
TOTAL/WEIGHTED AVERAGE		9,586	65.5%	$ 145.34	$ 95.15	(3.7%)

(1) The Frenchman's Reef & Morning Star Marriott Beach Resort, Vail Marriott Mountain Resort & Spa, Westin Atlanta North at Perimeter, Conrad Chicago and the Westin Boston Waterfront Hotel report operations on a calendar month and year basis. The period from January 1, 2010 to March 26, 2010 includes the operations for the period from January 1, 2010 to February 28, 2010 for these five hotels.

Results of Operations

During the fiscal quarter ended March 26, 2010, our hotels continued to operate in a challenging economic environment. Lodging fundamentals have historically correlated with several key economic indicators such as GDP growth, employment trends, corporate profits, consumer confidence and business investment. As some of these economic indicators have begun to improve, our hotels experienced improvement in demand during the quarter, although average daily rates were lower. As demand continues to strengthen, we expect pricing to improve later in 2010.

Comparison of the Fiscal Quarter Ended March 26, 2010 to the Fiscal Quarter Ended March 27, 2009

Our net loss for the fiscal quarter ended March 26, 2010 was $8.3 million compared to a net loss of $5.3 million for the fiscal quarter ended March 27, 2009.

Revenue. Revenue consists primarily of the room, food and beverage and other operating revenues from our hotels. Revenues for the fiscal quarters ended March 26, 2010 and March 27, 2009, respectively, consisted of the following (in thousands):

	Fiscal Quarter Ended March 26, 2010	Fiscal Quarter Ended March 27, 2009	% Change
Rooms	$ 71,648	$ 75,116	(4.6%)
Food and beverage	35,552	36,890	(3.6%)
Other	5,628	6,538	(13.9%)
Total revenues	$ 112,828	$ 118,544	(4.8%)

Individual hotel revenues for the fiscal quarters ended March 26, 2010 and March 27, 2009, respectively, consist of the following (in millions):

	Fiscal Quarter Ended March 26, 2010	Fiscal Quarter Ended March 27, 2009	% Change
Los Angeles Airport Marriott	$ 12.3	$ 13.0	(5.4%)
Chicago Marriott	12.1	14.7	(17.7%)
Frenchman's Reef & Morning Star Marriott Beach Resort (1)	10.7	10.0	7.0%
Renaissance Worthington	7.9	8.5	(7.1%)
Renaissance Waverly Hotel	7.8	7.2	8.3%
Renaissance Austin Hotel	7.1	7.6	(6.6%)
Westin Boston Waterfront Hotel (1)	6.9	7.0	(1.4%)
Vail Marriott Mountain Resort & Spa (1)	6.6	6.1	8.2%
Orlando Airport Marriott	5.5	6.6	(16.7%)
Salt Lake City Marriott Downtown	5.1	5.6	(8.9%)
Torrance Marriott South Bay	4.5	4.6	(2.2%)
Courtyard Manhattan/Midtown East	4.0	4.5	(11.1%)
Marriott Griffin Gate Resort	3.8	3.7	2.7%
Marriott Atlanta Alpharetta	3.4	3.1	9.7%
Bethesda Marriott Suites	3.0	3.5	(14.3%)
Oak Brook Hills Marriott Resort	2.9	3.0	(3.3%)
Courtyard Manhattan/Fifth Avenue	2.7	2.9	(6.9%)
Westin Atlanta North at Perimeter (1)	2.4	2.5	(4.0%)
The Lodge at Sonoma, a Renaissance Resort & Spa	2.3	2.2	4.6%
Conrad Chicago (1)	1.8	2.2	(18.2%)
Total	$ 112.8	$ 118.5	(4.8%)

(1) The Frenchman's Reef & Morning Star Marriott Beach Resort, Vail Marriott Mountain Resort & Spa, Westin Atlanta North at Perimeter, Conrad Chicago and the Westin Boston Waterfront Hotel report operations on a calendar month and year basis. The fiscal quarters ended March 26, 2010 and March 27, 2009 include the operations for the period from January 1, 2010 to February 28, 2010 for these five hotels.

Our total revenues declined $5.7 million, or 4.8%, from $118.5 million for the fiscal quarter ended March 27, 2009 to $112.8 million for the fiscal quarter ended March 26, 2010, reflecting the continued weakness in lodging fundamentals. The decline reflects a 3.7 percent decline in RevPAR, which is the result of a 6.2 percent decrease in ADR offset by a 1.8 percentage point increase in occupancy. The following are the key hotel operating statistics for our hotels for the fiscal quarters ended March 26, 2010 and March 27, 2009, respectively.

	Fiscal Quarter Ended March 26, 2010	Fiscal Quarter Ended March 27, 2009	% Change
Occupancy %	65.5%	63.7%	1.8 percentage points
ADR	$ 145.34	$ 155.00	(6.2%)
RevPAR	$ 95.15	$ 98.80	(3.7%)

Food and beverage revenues decreased 3.6% from 2009, reflecting a decline in both banquet and outlet revenues. Other revenues, which primarily represent spa, golf, parking and attrition and cancellation fees, decreased 13.9% from 2009.

Hotel operating expenses. Hotel operating expenses consist primarily of operating expenses of our hotels, including non-cash ground rent expense. The operating expenses for the fiscal quarters ended March 26, 2010 and March 27, 2009, respectively, consist of the following (in millions):

	Fiscal Quarter Ended March 26, 2010	Fiscal Quarter Ended March 27, 2009	% Change
Rooms departmental expenses	$ 20.1	$ 20.0	0.5%
Food and beverage departmental expenses	24.7	26.6	(7.1%)
Other departmental expenses	5.5	6.4	(14.1%)
General and administrative	11.1	11.1	0.0%
Utilities	5.0	5.4	(7.4%)
Repairs and maintenance	6.1	6.2	(1.6%)
Sales and marketing	8.5	8.7	(2.3%)
Base management fees	3.0	3.1	(3.2%)
Incentive management fees	0.1	0.2	(50.0%)
Property taxes	6.2	6.0	3.3%
Ground rent- Contractual	0.4	0.4	0.0%
Ground rent- Non-cash	1.8	1.8	0.0%
Total hotel operating expenses	$ 92.5	$ 95.9	(3.5%)

Our hotel operating expenses decreased $3.4 million or 3.5%, from $95.9 million for the fiscal quarter ended March 27, 2009 to $92.5 million for the fiscal quarter ended March 26, 2010. We continue to work with our hotel managers to lower operating expenses. The primary driver for the decrease in operating expenses is an overall decline in wages and benefits. As a result of continuing these cost-containment measures, we have reduced food and beverage and other hotel departmental expenses. Rooms departmental expense was flat despite the cost-containment measures in place due to the 1.8% increase in occupancy.

Management fees are calculated as a percentage of total revenues, as well as the level of operating profit at certain hotels. Therefore, the decline in base management fees is due to the overall decline in revenues at our hotels. We pay incentive management fees only at certain of our hotels based on operating profits. The decrease in incentive management fees of approximately $0.1 million is due to only one hotel earning incentive fees in 2010.

Depreciation and amortization. Depreciation and amortization is recorded on our hotel buildings over 40 years for the periods subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense increased $0.2 million from $18.7 million for the fiscal quarter ended March 27, 2009 to $18.9 million for the fiscal quarter ended March 26, 2010.

Corporate expenses. Our corporate expenses decreased from $3.8 million for the fiscal quarter ended March 27, 2009 to $3.4 million for the fiscal quarter ended March 26, 2010. Corporate expenses principally consist of employee-related costs, including base payroll, bonus and restricted stock. Corporate expenses also include corporate operating costs, professional fees and directors' fees. The decrease in corporate expenses is due primarily to a decrease in stock-based compensation expense and payroll costs, partially offset by an increase in directors' fees.

Interest expense. Our interest expense decreased $3.4 million from $11.5 million for the fiscal quarter ended March 27, 2009 to $8.1 million for the fiscal quarter ended March 26, 2010. The decrease in interest expense is primarily attributable to the reversal during the quarter of $3.1 million accrued as of December 31, 2009 for penalty interest on the Frenchman's Reef mortgage loan. The 2010 interest expense was comprised of mortgage debt ($10.9 million), amortization of deferred financing costs ($0.2 million) and unused fees on our credit facility ($0.1 million), which was offset by the reversal of accrued penalty interest. The 2009 interest expense is comprised of mortgage debt ($11.0 million), amortization of deferred financing costs ($0.2 million) and interest and unused fees on our credit facility ($0.3 million).

As of March 26, 2010, we had property-specific mortgage debt outstanding on ten of our hotels. All of our mortgage debt is fixed-rate secured debt bearing interest at rates ranging from 5.30% to 8.81% per year. Our weighted-average interest rate on all debt as of March 26, 2010 was 5.86%.

Interest income. Interest income remained flat at $0.1 million for the fiscal quarters ended March 26, 2010 and March 27, 2009. Although our corporate cash balances are significantly higher in 2010, the interest rates earned on corporate cash are significantly lower.

Income taxes. We recorded an income tax benefit of $1.6 million for the fiscal quarter ended March 26, 2010 and $6.0 million for the fiscal quarter ended March 27, 2009. The first quarter 2010 income tax benefit was incurred on the $7.7 million pre-tax loss of our taxable REIT subsidiary, or TRS, for the fiscal quarter ended March 26, 2010, together with foreign income tax expense of $1.4 million related to the taxable REIT subsidiary that owns the Frenchman's Reef & Morning Star Marriott Beach Resort. The first quarter 2009 income tax benefit was incurred on the $15.7 million pre-tax loss of our TRS for the fiscal quarter ended March 27, 2009, together with foreign income tax expense of $0.2 million related to the taxable REIT subsidiary that owns the Frenchman's Reef & Morning Star Marriott Beach Resort.

The Frenchman's Reef & Morning Star Marriott Beach Resort is owned by a subsidiary that has elected to be treated as a TRS, and is subject to USVI income taxes. We were party to a tax agreement with the USVI that reduced the income tax rate to approximately 4%. This agreement expired in February 2010. We are diligently working to extend this agreement, which, if extended, would be effective as of the date of expiration, but we may not be successful. If the agreement is not extended, the TRS that owns Frenchman's Reek & Morning Star Marriott Beach Resort is subject to an income tax rate of 37.4%. The first quarter income tax expense of $1.4 million related to the taxable REIT subsidiary that owns the Frenchman's Reef & Morning Star Marriott Beach Resort reflects the statutory tax rate of 37.4% on the pre-tax income generated after expiration of the tax agreement. This expense will be reversed to an amount which reflects the lower rate if the tax agreement is extended.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds necessary to fund future distributions to our stockholders to maintain our REIT status as well as to pay for operating expenses and other expenditures directly associated with our hotels, including capital expenditures as well as payments of interest and principal. We currently expect that our available cash flows generally provided through net cash provided by hotel operations, existing cash balances and, if necessary, short-term borrowings under our credit facility will be sufficient to meet our short-term liquidity requirements. Some of our mortgage debt agreements contain "cash trap" provisions that are triggered when the hotel's operating results fall below a certain debt service coverage ratio. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio is reached and maintained for a certain period of time. Subsequent to the end of the first quarter, the lender on the Courtyard Manhattan/Midtown East mortgage notified us that the cash trap provision was triggered.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional hotels, renovations, expansions and other capital expenditures that need to be made periodically to our hotels, scheduled debt payments and making distributions to our stockholders. We expect to meet our long-term liquidity requirements through various sources of capital, cash provided by operations and borrowings, as well as through our issuances of additional equity or debt securities. Our ability to incur additional debt is dependent upon a number of factors, including the state of the credit markets, our degree of leverage, the value of our unencumbered assets and borrowing restrictions imposed by existing lenders. Our ability to raise additional equity is also dependent on a number of factors including the current state of the capital markets, investor sentiment and use of proceeds.

Our Financing Strategy

Since our formation in 2004, we have been consistently committed to a flexible capital structure with prudent leverage levels. During 2004 though early 2007, we took advantage of the low interest rate environment by fixing our interest rates for an extended period of time. Moreover, during the peak in the commercial real estate market in the recent past (2006 and 2007), we maintained low financial leverage by funding the majority of our acquisitions through the issuance of equity. This strategy allowed us to maintain a balance sheet with a moderate amount of debt. During the peak years, we believed, and present events have confirmed, that it would be inappropriate to increase the inherent risk of a highly cyclical business through a highly levered capital structure.

We prefer a relatively simple but efficient capital structure. We have not invested in joint ventures and have not issued any operating partnership units or preferred stock. We endeavor to structure our hotel acquisitions so that they will not overly complicate our capital structure; however, we will consider a more complex transaction if we believe that the projected returns to our stockholders will significantly exceed the returns that would otherwise be available.

We have always strived to operate our business with prudent leverage. During 2009, a year that experienced a significant industry downturn, we focused on preserving and enhancing our liquidity. Based on a comprehensive action plan, which included equity offerings and debt repayment, we achieved that goal.

We believe that we maintain a reasonable amount of fixed interest rate mortgage debt. As of March 26, 2010, we had $785.3 million of mortgage debt outstanding with a weighted average interest rate of 5.9 percent and a weighted average maturity date of approximately 5.8 years with no maturities until late 2014. In addition, we currently have ten hotels unencumbered by debt and no corporate-level debt outstanding.

Controlled Equity Offering Program. During the first quarter ended March 26, 2010, we completed our previously announced $75 million controlled equity offering program by selling 2.8 million shares at an average price of $9.13 per share, raising net proceeds of $25.1 million. Of the shares sold during the quarter, 0.2 million shares, representing net proceeds of $2.3 million, settled subsequent to March 26, 2010.

Mortgage Loan Modification. During the first quarter ended March 26, 2010, we amended certain provisions of the limited recourse mortgage loan secured by Frenchman's Reef & Morning Star Marriott Beach Resort. The lender provided us with a waiver for any penalty interest and an extension to December 31, 2010 and December 31, 2011, respectively, for the completion date of certain lender required capital projects. In conjunction with the loan modification, we pre-funded $5.0 million for the capital projects into an escrow account and paid the lender a $150,000 modification fee. As a result of the loan modification, we reversed the $3.1 million penalty interest accrued last year.

Senior Unsecured Credit Facility

We are party to a four-year, $200.0 million unsecured credit facility (the "Facility") expiring in February 2011. We may extend the maturity date of the Facility for an additional year upon the payment of applicable fees and the satisfaction of certain other customary conditions. Interest is paid on the periodic advances under the Facility at varying rates, based upon either LIBOR or the alternate base rate, plus an agreed upon additional margin amount. The interest rate depends upon our level of outstanding indebtedness in relation to the value of our assets from time to time, as follows:

	Leverage Ratio			
	60% or Greater	**55% to 60%**	**50% to 55%**	**Less Than 50%**
Alternate base rate margin	0.65%	0.45%	0.25%	0.00%
LIBOR margin	1.55%	1.45%	1.25%	0.95%

Our Facility contains various corporate financial covenants. A summary of the most restrictive covenants is as follows:

	Covenant	**Actual at March 26, 2010**
Maximum leverage ratio(1)	65%	51.0%
Minimum fixed charge coverage ratio(2)	1.6x	1.81x
Minimum tangible net worth(3)	$892.3 million	$1.6 billion
Unhedged floating rate debt as a percentage of total indebtedness	35%	0.0%

(1) "Maximum leverage ratio" is determined by dividing the total debt outstanding by the net asset value of our corporate assets and hotels. Hotel level net asset values are calculated based on the application of a contractual capitalization rate (which ranges from 7.5% to 8.0%) to the trailing twelve month hotel net operating income.

(2) "Minimum fixed charge ratio" is calculated based on the trailing four quarters.

(3) "Tangible net worth" is defined as the gross book value of our real estate assets and other corporate assets less our total debt and all other corporate liabilities.

Our Facility requires that we maintain a specific pool of unencumbered borrowing base properties. The unencumbered borrowing base assets are subject to the following limitations and covenants:

	Covenant	**Actual at March 26, 2010**
Minimum implied debt service ratio	1.5x	N/A
Maximum unencumbered leverage ratio	65%	0%
Minimum number of unencumbered borrowing base properties	4	10
Minimum unencumbered borrowing base value	$150 million	$525.4 million
Percentage of total asset value owned by borrowers or guarantors	90%	100%

In addition to the interest payable on amounts outstanding under the Facility, we are required to pay unused credit facility fees equal to 0.20% of the unused portion of the Facility if the unused portion of the Facility is greater than 50% or 0.125% of the unused portion of the Facility if the unused portion of the Facility is less than 50%. We incurred interest and unused credit facility fees on the Facility of $0.1 million and $0.3 million for the fiscal quarters ended March 26, 2010 and March 27, 2009, respectively. As of March 26, 2010, we did not have an outstanding balance on the Facility.

We have reached agreement on a term sheet with certain lenders for a new $200 million unsecured credit facility with a three-year term and a one year extension option. There can be no assurances, however, that we will enter into the proposed credit facility as it remains subject to a variety of conditions, including the negotiation and execution of definitive loan agreements satisfactory to us and the satisfaction of closing conditions.

Sources and Uses of Cash

Our principal sources of cash are net cash flow from hotel operations, borrowing under mortgage debt and our credit facility and the proceeds from our equity offerings. Our principal uses of cash are debt service, capital expenditures, operating costs, corporate expenses and dividends. As of March 26, 2010, we had $181.4 million of unrestricted corporate cash and $37.1 million of restricted cash.

Our net cash provided by operations was $0.6 for the fiscal quarter ended March 26, 2010. Our cash from operations generally consists of the net cash flow from hotel operations offset by cash paid for corporate expenses, cash paid for interest, funding of lender escrow reserves and other working capital changes. The net cash provided by operations declined from 2009 due primarily to the decline in hotel operations.

Our net cash used in investing activities was $11.4 million for the fiscal quarter ended March 26, 2010 due primarily to capital expenditures at our hotels and the net funding of restricted cash reserves.

Our net cash provided by financing activities was $14.8 million for the fiscal quarter ended March 26, 2010. The following table summarizes the significant financing activities for the fiscal quarter ended March 26, 2010 (in millions):

Transaction Date	Description of Transaction	Amount	
January	Payment of dividends	$	(4.3)
January	Repurchase of shares for employee taxes	$	(2.0)
March	Proceeds from Controlled Equity Offering Program	$	22.8

Dividend Policy

We intend to distribute to our stockholders dividends equal to our REIT taxable income so as to avoid paying corporate income tax and excise tax on our earnings (other than the earnings of our TRS and TRS lessees, which are all subject to tax at regular corporate rates) and to qualify for the tax benefits afforded to REITs under the Internal Revenue Code (the Code). In order to qualify as a REIT under the Code, we generally must make distributions to our stockholders each year in an amount equal to at least:

- 90% of our REIT taxable income determined without regard to the dividends paid deduction, plus
- 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Code, minus
- any excess non-cash income.

On January 29, 2010, we paid a dividend to our stockholders of record as of December 28, 2009 in the amount of $0.33 per share, which represented 100% of our 2009 taxable income. We relied on the Internal Revenue Service’s Revenue Procedure 2009-15, as amplified and superseded by Revenue Procedure 2010-12, that allowed us to pay 90% of the dividend in shares of our common stock and the remainder in cash. We intend to declare our next dividend, if any, to stockholders of record on a date close to December 31, 2010.

Capital Expenditures

The management and franchise agreements for each of our hotels provide for the establishment of separate property improvement funds to cover, among other things, the cost of replacing and repairing furniture and fixtures at our hotels. Contributions to the property improvement fund are calculated as a percentage of hotel revenues. In addition, we may be required to pay for the cost of certain additional improvements that are not permitted to be funded from the property improvement fund under the applicable management or franchise agreement. As of March 26, 2010, we have set aside $30.8 million for capital projects in property improvement funds, which are included in restricted cash. Funds held in property improvement funds for one hotel are typically not permitted to be applied to any other property.

Although we have significantly curtailed the capital expenditures at our hotels, we continue to benefit from the extensive capital investments made from 2006 to 2008, during which time many of our hotels were fully renovated. In 2009 and 2010, we have focused our capital expenditures primarily on life safety, capital preservation and return-on-investment projects. The total budget in 2010 for capital improvements is $36 million, only $7 million of which is expected to be funded from corporate cash with the balance to be funded from hotel escrow reserves. We spent approximately $4.6 million on capital improvements during the period from January 1, 2010 through March 26, 2010, of which approximately $0.2 million was funded from corporate cash.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Non-GAAP Financial Measures

We use the following two non-GAAP financial measures that we believe are useful to investors as key measures of our operating performance: (1) EBITDA and (2) FFO. These measures should not be considered in isolation or as a substitute for measures of performance in accordance with GAAP.

EBITDA represents net (loss) income excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sale of assets; and (3) depreciation and amortization. We believe EBITDA is useful to an investor in evaluating our operating performance because it helps investors evaluate and compare the results of our operations from period to period by removing the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization) from our operating results. In addition, covenants included in our indebtedness use EBITDA as a measure of financial compliance. We also use EBITDA as one measure in determining the value of hotel acquisitions and dispositions.

	Fiscal Quarter Ended March 26, 2010	Fiscal Quarter Ended March 27, 2009
	(in thousands)	
Net loss	$ (8,346)	$ (5,293)
Interest expense	8,126	11,498
Income tax benefit	(1,628)	(5,978)
Real estate related depreciation	18,907	18,717
EBITDA	$ 17,059	$ 18,944

We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, which defines FFO as net (loss) income (determined in accordance with GAAP), excluding gains (losses) from sales of property, plus depreciation and amortization. We believe that the presentation of FFO provides useful information to investors regarding our operating performance because it is a measure of our operations without regard to specified non-cash items, such as real estate depreciation and amortization and gain or loss on sale of assets. We also use FFO as one measure in assessing our results.

	Fiscal Quarter Ended March 26, 2010	Fiscal Quarter Ended March 27, 2009
	(in thousands)	
Net loss	$ (8,346)	$ (5,293)
Real estate related depreciation	18,907	18,717
FFO	$ 10,561	$ 13,424

Critical Accounting Policies

Our consolidated financial statements include the accounts of the DiamondRock Hospitality Company and all consolidated subsidiaries. The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We evaluate our estimates and judgments, including those related to the impairment of long-lived assets, on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies are disclosed in the notes to our consolidated financial statements. The following represent certain critical accounting policies that require us to exercise our business judgment or make significant estimates:

Investment in Hotels. Acquired hotels, land improvements, building and furniture, fixtures and equipment and identifiable intangible assets are initially recorded at fair value. Additions to property and equipment, including current buildings, improvements, furniture, fixtures and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over an estimated useful life of 15 to 40 years for buildings and land improvements and one to ten years for furniture and equipment. Identifiable intangible assets are typically related to contracts, including ground lease agreements and hotel management agreements, which are recorded at fair value. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair market contract rates for corresponding contracts. Contracts acquired that are at market do not have significant value. We typically enter into a new hotel management agreement based on market terms at the time of acquisition. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements. In making estimates of fair values for purposes of allocating purchase price, we may utilize a number of sources that may be obtained in connection with the acquisition or financing of a property and other market data. Management also considers information obtained about each property as a result of its pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired.

We review our investments in hotels for impairment whenever events or changes in circumstances indicate that the carrying value of the investments in hotels may not be recoverable. Events or circumstances that may cause us to perform a review include, but are not limited to, adverse changes in the demand for lodging at our properties due to declining national or local economic conditions and/or new hotel construction in markets where our hotels are located. When such conditions exist, management performs an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the ultimate disposition of an investment in a hotel exceed the hotel’s carrying value. If the estimated undiscounted future cash flows are less than the carrying amount of the asset, an adjustment to reduce the carrying value to the estimated fair market value is recorded and an impairment loss recognized.

Revenue Recognition. Hotel revenues, including room, golf, food and beverage, and other hotel revenues, are recognized as the related services are provided.

Stock-based Compensation. We account for stock-based employee compensation using the fair value based method of accounting. We record the cost of awards with service conditions and market conditions based on the grant-date fair value of the award. For awards based on market conditions, the grant-date fair value is derived using an open form valuation model. The cost of the award is recognized over the period during which an employee is required to provide service in exchange for the award. No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

Income Taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted.

We have elected to be treated as a REIT under the provisions of the Internal Revenue Code and, as such, are not subject to federal income tax, provided we distribute all of our taxable income annually to our stockholders and comply with certain other requirements. In addition to paying federal and state income tax on any retained income, we are subject to taxes on “built-in-gains” on sales of certain assets. Additionally, our taxable REIT subsidiaries are subject to federal, state and foreign income tax.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit the ability of our management companies to raise room rates.

Seasonality

The operations of hotels historically have been seasonal depending on location, and accordingly, we expect some seasonality in our business. Historically, we have experienced approximately two-thirds of our annual income in the second and fourth fiscal quarters.

New Accounting Pronouncements Not Yet Implemented

There are no new unimplemented accounting pronouncements that are expected to have a material impact on our results of operations, financial position or cash flows.

Item 3. Qualitative Disclosure about Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business strategies, the primary market risk to which we are currently exposed, and, to which we expect to be exposed in the future, is interest rate risk. As of March 26, 2010, all of our debt was fixed rate and therefore not exposed to interest rate risk.

Item 4. Controls and Procedures

The Company’s management has evaluated, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, and has concluded that as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective to give reasonable assurances that information we disclose in reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms.

There was no change in the Company’s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act during the Company’s most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II

Item 1. ***Legal Proceedings***

We are not involved in any material litigation nor, to our knowledge, is any material litigation threatened against us other than routine litigation arising out of the ordinary course of business or which is expected to be covered by insurance and none of which is expected to have a material impact on our business, financial condition or results of operations.

Item 1A. ***Risk Factors***

There have been no material changes in the risk factors described in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None.

Item 3. ***Defaults Upon Senior Securities***

Not applicable.

Item 4. ***Removed and Reserved***

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

(a) *Exhibits*

The following exhibits are filed as part of this Form 10-Q:

Exhibit	
3.1.1	Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Registration Statement on Form S-11 filed with the Securities and Exchange Commission (File no. 333-123065)*)
3.1.2	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2007*)
3.2	Third Amended and Restated Bylaws of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 17, 2009*)
4.1	Form of Certificate for Common Stock for DiamondRock Hospitality Company
10.1*	Amended and Restated 2004 Stock Option and Incentive Plan, as amended and restated on April 28, 2010
10.2*	Form of Restricted Stock Award Agreement
10.3*	Form of Market Stock Unit Agreement (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 9, 2010*)
10.4*	Form of Deferred Stock Unit Award Agreement
10.5*	Form of Director Election Form
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended.

* Exhibit is management contract or compensatory plan or arrangement

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DiamondRock Hospitality Company

May 5, 2010

/s/ Sean M. Mahoney
Sean M. Mahoney
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ William J. Tennis
William J. Tennis
Executive Vice President,
General Counsel and Corporate Secretary

Exhibit 4.1

COMMON STOCK

NUMBER

DRH

THIS CERTIFICATE IS TRANSFERABLE IN THE CITY OF NEW YORK, NY

DIAMONDROCK HOSPITALITY

COMMON STOCK

SHARES

CUSIP 252784 30 1

SEE REVERSE FOR CERTAIN DEFINITIONS

INCORPORATED UNDER THE LAWS OF THE STATE OF MARYLAND

THIS CERTIFIES THAT

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK, PAR VALUE $0.01 PER SHARE, OF

DIAMONDROCK HOSPITALITY COMPANY

(hereinafter, the "Corporation") transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed or assigned. This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the Corporation's Certificate of Incorporation, as amended, and Bylaws, as amended. This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile signatures of its duly authorized officers.

DATED:

William J. Tennis

CORPORATE SECRETARY

CHIEF EXECUTIVE OFFICER

COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY
TRANSFER AGENT AND REGISTRAR

BY:

AUTHORIZED SIGNATURE

DiamondRock Hospitality Company

IMPORTANT NOTICE

The Corporation will furnish to any shareholder, on request and without charge, a full statement of the information required by Section 8-203(d) of the Corporations and Associations Article of the Annotated Code of Maryland with respect to the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption of the shares of each class of beneficial interest which the Corporation has authority to issue and, if the Corporation is authorized to issue any preferred or special class in series, (i) the differences in the relative rights and preferences between the shares of each series to the extent that they have been set and (ii) the authority of the board of directors of the Corporation to set the relative rights and preferences of subsequent series. The foregoing summary does not purport to be complete and is subject to and qualified in its entirety by reference to the charter of the Corporation, as may be amended from time to time, a copy of which will be sent without charge to each shareholder who so requests. Such request must be made to the Secretary of the Corporation at its principal office.

The shares represented by this certificate are subject to restrictions on beneficial and constructive ownership and transfer for the purpose of the Corporation's maintenance of its status as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). The Corporation's charter provides that, subject to some exceptions, no person may beneficially own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% of the Corporation's common stock or of the value of the aggregate outstanding shares of the Corporation's capital stock (the "Ownership Limit"), except that certain "look through entities," such as mutual funds, may beneficially own up to 15% of the Corporation's common stock or of the value of the aggregate outstanding shares of the Corporation's capital stock (the "Look-Through Ownership Limit"). The Corporation's bylaws provide that, notwithstanding any other provision of the Corporation's charter or the bylaws, the Corporation's board of directors will exempt any person from the Ownership Limit and the Look-Through Ownership Limit, provided that: (i) such person shall not beneficially own shares of capital stock that would cause an "individual" (within the meaning of Section 542(a)(2) of the Code, but not including a "qualified trust" (as defined in Code Section 856(h)(3)(E)) subject to the look-through rule of Code Section 856(h)(3)(A)(i)) to beneficially own (a) shares of capital stock in excess of 9.8% in value of the aggregate outstanding shares of the Corporation's capital stock or (b) in excess of 9.8% (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of the Corporation's common stock; (ii) the board of directors of the Corporation obtains such representations and undertakings from such person as are reasonably necessary to ascertain that such person's ownership of such shares of capital stock will not now or in the future jeopardize the Corporation's ability to qualify as a REIT under the Code; and (iii) such person agrees that any violation or attempted violation of any of the foregoing restrictions or any such other restrictions that may be imposed by the Corporation's board of directors will result in the automatic transfer of the shares of stock causing such violation to the Trust (as defined below).

The Corporation's charter also prohibits any person from (a) owning shares of the Corporation's capital stock if such ownership would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, (b) transferring shares of the Corporation's capital stock if such transfer would result in the Corporation's capital stock being owned by fewer than 100 persons, (c) owning shares of the Corporation's capital stock if such ownership would cause any of the Corporation's income that would otherwise qualify as rents from real property to fail to qualify as such, including as a result of any of the Corporation's hotel management companies failing to qualify as "eligible independent contractors" under the REIT rules and (d) owning shares of the Corporation's capital stock if such ownership would result in the Corporation failing to qualify as a REIT for federal income tax purposes. Any person who acquires or attempts or intends to acquire beneficial ownership of shares of the Corporation's capital stock that will or may violate any of these restrictions on transferability and ownership will be required to give notice immediately to the Corporation and provide the Corporation with such other information as the Corporation may request in order to determine the effect of such transfer on the Corporation's status as a REIT.

If any transfer of shares of the Corporation's capital stock or other event occurs which, if effective, would result in any person beneficially or constructively owning shares of the Corporation's capital stock in excess or in violation of the above transfer or ownership limitations (a "Prohibited Owner"), then that number of shares of the Corporation's capital stock the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded to the nearest whole share) shall be automatically transferred to a trust (the "Trust") for the exclusive benefit of one or more charitable beneficiaries, and the Prohibited Owner shall not acquire any rights in such shares.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM – as tenants in common
TEN ENT – as tenants by the entireties
JT TEN – as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT– ______________ Custodian ______________
(Cust) (Minor)
under Uniform Gifts to Minors
Act ______________
(State)

UNIF TRF MIN ACT– ______________ Custodian (until age ______)
(Cust)
______________ under Uniform Transfers
(Minor)
to Minors Act ______________
(State)

Additional abbreviations may also be used though not in the above list.

For value received, ______________ *hereby sell, assign and transfer unto*

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE

______________ *Shares*

of the Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint ______________

Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated: ______________

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ANY ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED ______________
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO S.E.C.RULE 17-Ad.

DIAMONDROCK HOSPITALITY COMPANY

AMENDED AND RESTATED

2004 STOCK OPTION AND INCENTIVE PLAN

(AS AMENDED AND RESTATED ON FEBRUARY 27, 2007)
(AND AS FURTHER AMENDED ON APRIL 28, 2010)

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the DiamondRock Hospitality Company Amended and Restated 2004 Stock Option and Incentive Plan (the "*Plan*"). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and other key persons (including Consultants and prospective employees) of DiamondRock Hospitality Company, a Maryland corporation (the "*Company*"), DiamondRock Hospitality Limited Partnership, L.P., a Delaware limited partnership (the "*Operating Partnership*"), and the Company's other Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

"Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Administrator" is defined in Section 2(a).

"Award" or *"Awards,"* except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Deferred Stock Awards (which are also referred to as Deferred Stock Units, Restricted Stock Units or Market Stock Units), Restricted Stock Awards, Unrestricted Stock Awards, Dividend Equivalent Rights , Other Share-Based Awards and Performance Unit Awards.

"Board" means the Board of Directors of the Company.

"*Change in Control*" means any of the following events:

(i) The conclusion of the acquisition (whether by a merger or otherwise) by any Person (other than a Qualified Affiliate), in a single transaction or a series of related transactions, of Beneficial Ownership of more than 50 % of (1) the Company's outstanding common stock (the "*Common Stock*") or (2) the combined voting power of the Company's outstanding securities entitled to vote generally in the election of directors (the "*Outstanding Voting Securities*");

(ii) The merger or consolidation of the Company with or into any other Person other than a Qualified Affiliate, if the directors immediately prior to the merger or consolidation cease to be the majority of the Board of Directors at anytime within 12 months of the completion of the merger or consolidation;

(iii) Any one or a series of related sales or conveyances to any Person or Persons (including a liquidation or dissolution) other than any one or more Qualified Affiliates of all or substantially all of the assets of the Company or the Operating Partnership; or

(iv) Incumbent Directors cease, for any reason, to be a majority of the members of the Board of Directors, where an "*Incumbent Director*" is (1) an individual who is a member of the Board of Directors on the effective date of this Plan or (2) any new director whose appointment by the Board of Directors or whose nomination for election by the stockholders was approved by a majority of the persons who were already Incumbent Directors at the time of such appointment, election or approval, other than any individual who assumes office initially as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors or as a result of an agreement to avoid or settle such a contest or solicitation.

A Change in Control shall also be deemed to have occurred upon the completion of a tender offer for the Company's securities representing more than 50% of the Outstanding Voting Securities, other than a tender offer by a Qualified Affiliate.

For purposes of this definition of Change in Control, the following definitions shall apply: (A) "*Beneficial Ownership*," "*Beneficially Owned*" and "*Beneficially Owns*" shall have the meanings provided in Exchange Act Rule 13d-3; (B) "*Person*" shall mean any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), including any natural person, corporation, trust, association, company, partnership, joint venture, limited liability company, legal entity of any kind, government, or political subdivision, agency or instrumentality of a government, as well as two or more Persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of the Company's securities; and (C) "*Qualified Affiliate*" shall mean (I) any directly or indirectly wholly owned subsidiary of the Company or the Operating Partnership; (II) any employee benefit plan (or related trust) sponsored or maintained by the Company or the Operating Partnership or by any entity controlled by the Company or the Operating Partnership; or (III) any Person consisting in whole or in part of the Executive or one or more individuals who are then the Company's Chief Executive Officer or any other named executive officer (as defined in Item 402 of Regulation S-K under the Securities Act of 1933) of the Company as indicated in its most recent securities filing made before the date of the transaction.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"*Committee*" means the Committee of the Board referred to in Section 2.

"*Consultant*" means any natural person that provides bona fide services to the Company, and such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities.

"*Covered Employee*" means an employee who is a "Covered Employee" within the meaning of Section 162(m) of the Code.

"*Deferred Stock Award*" means Awards granted pursuant to Section 8.

"*Dividend Equivalent Right*" means Awards granted pursuant to Section 11.

"*Effective Date*" means the date on which the Plan is approved by stockholders as set forth in Section 20.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"*Fair Market Value*" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("*NASDAQ*"), NASDAQ Global Market or another national securities exchange, the determination shall be made by reference to the closing price on the relevant date. If there is no closing price for such date, the determination shall be made by reference to the last date preceding such date for which there was a closing price.

"*Incentive Stock Option*" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

"*Non-Employee Director*" means a member of the Board who is not also an employee of the Company or any Subsidiary.

"*Non-Employee Directors' Deferred Compensation Program*" means the Non-Employee Directors' Deferred Compensation Program established pursuant to the Plan and attached hereto as Appendix A.

"*Non-Qualified Stock Option*" means any Stock Option that is not an Incentive Stock Option.

"*Option*" or "*Stock Option*" means any option to purchase shares of Stock granted pursuant to Section 5.

"*Other Share-Based Award*" means any Award granted pursuant to Section 12.

"*Performance Cycle*" means one or more periods of time, which may be of varying and overlapping durations but which may not be shorter than one year, as the Administrator may select, over which the attainment of one or more performance criteria will be measured for the purpose of determining a grantee's right to and the payment of a Restricted Stock Award, Deferred Stock Award or Performance Unit Award.

"*Performance Unit Award*" means Awards granted pursuant to Section 13.

"*Restricted Stock Award*" means Awards granted pursuant to Section 7.

"*Stock*" means the Common Stock, par value $0.01 per share, of the Company, subject to adjustments pursuant to Section 3.

"*Stock Appreciation Right*" means any Award granted pursuant to Section 6.

"*Subsidiary*" means any corporation or other entity (other than the Company) in which the Company has more than a 50% interest, either directly or indirectly.

"*Unit" or "Units*" means a unit or units of limited partnership interest in the Operating Partnership.

"*Unrestricted Stock Award*" means any Award granted pursuant to Section 9.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

A. Committee. The Plan shall be administered by either the Board or a committee of not less than two Non-Employee Directors (in either case, the "*Administrator*").

B. Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Deferred Stock Awards, Unrestricted Stock Awards, Dividend Equivalent Rights, Performance Unit Awards and Other Share-Based Awards, or any combination of the foregoing, granted to any one or more grantees;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the form of written instruments evidencing the Awards;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;

(vi) subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options may be exercised;

(vii) to determine at any time whether, to what extent, and under what circumstances distribution or the receipt of Stock and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the grantee and whether and to what extent the Company shall pay or credit amounts constituting interest (at rates determined by the Administrator) or dividends or deemed dividends on such deferrals; and

(viii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan (including the Non-Employee Directors' Deferred Compensation Program) and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

C. Delegation of Authority to Grant Awards. Unless otherwise prohibited by applicable law, the Administrator, in its discretion, may delegate to the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards, to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act or "covered employees" within the meaning of Section 162(m) of the Code. Any such delegation by the Administrator shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Stock Option or Stock Appreciation Right, the conversion ratio or price of other Awards and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

D. Indemnification. Neither the Board nor the Committee, nor any member of either or any delegatee thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Committee (and any delegatee thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors' and officers' liability insurance coverage which may be in effect from time to time.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

A. Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 8,000,000 shares, subject to adjustment as provided in Section 3(b). For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, canceled, held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options or Stock Appreciation Rights with respect to no more than 500,000 shares of Stock may be granted to any one individual grantee during any one calendar year period and no more than 2,000,000 shares may be issued in the form of Incentive Stock Options. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

B. Changes in Stock. Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options or Stock Appreciation Rights that can be granted to any one individual grantee and the maximum number of shares that may be granted under a Performance-based Award, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iv) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (v) the price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. Notwithstanding the foregoing, no adjustment shall be made under this Section 3(b) if the Administrator determines that such action could cause any Award to fail to satisfy the conditions of any applicable exception from the requirements of Section 409A or otherwise could subject the grantee to the additional tax imposed under Section 409A in respect of an outstanding Award or constitute a modification, extension or renewal of an Incentive Stock Option within the meaning of Section 424(h) of the Code. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

C. Change in Control Transactions. Notwithstanding anything contained herein, the rights of the Chief Executive Officer, President and Chief Operating Officer, Executive Vice President and Chief Financial Officer, Executive Vice President and General Counsel and Chief Accounting Officer (and any other officer who has entered into an employment or severance agreement with the Company) following a Change in Control with respect to any accelerated exercisability or vesting of time-based Awards shall be governed by the so-called "double trigger" provisions of each of their individual employment or severance agreements with the Company.

For all other Awards granted to any individual who does not have an individual employment or severance agreement with the Company, in the event of a Change in Control, all Options and Stock Appreciation Rights that are not exercisable immediately prior to the effective time of the Change in Control shall become fully exercisable as of the effective time of the Change in Control and all other Awards shall become fully vested and nonforfeitable as of the effective time of the Change in Control, except as the Administrator may otherwise specify with respect to particular Awards in the relevant Award documentation.

Upon the effective time of the Change in Control, the Plan and all outstanding Awards granted hereunder shall terminate, unless provision is made in connection with the Change in Control in the sole discretion of the parties thereto for the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree (after taking into account any acceleration hereunder). In the event of such termination, each grantee shall be permitted, within a specified period of time prior to the consummation of the Change in Control as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights held by such grantee, including those that will become exercisable upon the consummation of the Change in Control; provided, however, that the exercise of Options and Stock Appreciation Rights not exercisable prior to the Change in Control shall be subject to the consummation of the Change in Control.

Notwithstanding anything to the contrary in this Section 3(c), in the event of a Change in Control pursuant to which holders of the Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the Change in Control, the Company shall have the right, but not the obligation, to make or provide for a cash payment to the grantees holding Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the value as determined by the Administrator of the consideration payable per share of Stock pursuant to the Change in Control (the “Sale Price”) times the number of shares of Stock subject to outstanding Options and Stock Appreciation Rights (to the extent then exercisable at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights.

D. Substitute Awards. The Administrator may grant Awards under the Plan in substitution for stock and stock based awards held by employees, directors or other key persons of another corporation in connection with the merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitation set forth in Section 3(a).

SECTION 4. ELIGIBILITY

Grantees under the Plan will be such full or part-time officers and other employees, Non-Employee Directors and key persons (including consultants and prospective employees) of the Company and its Subsidiaries as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. STOCK OPTIONS

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

A. Stock Options Granted to Employees, Non-Employee Directors and Key Persons. The Administrator in its discretion may grant Stock Options to eligible employees, Non-Employee Directors and key persons of the Company or any Subsidiary. Stock Options granted pursuant to this Section 5(a) shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the optionee’s election, subject to such terms and conditions as the Administrator may establish.

(i) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5(a) shall be determined by the Administrator at the time of grant but shall not be less than 100% of the Fair Market Value on the date of grant. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.

(ii) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Incentive Stock Option shall be exercisable more than ten years after the date the Incentive Stock Option is granted and no Non-Qualified Stock Option shall be exercisable more than ten years after the date the Non-Qualified Stock Option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such Stock Option shall be no more than five years from the date of grant.

(iii) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(iv) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award agreement:

(A) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(B) Through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the optionee on the open market or that have been beneficially owned by the optionee and are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(C) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or

(D) By the optionee authorizing the Company to withhold from the shares of Stock to be issued pursuant to the exercise of a Stock Option a number of shares with an aggregate Fair Market Value (determined as of the date of such exercise) that would satisfy the purchase price.

Payment instruments will be received subject to collection. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Option Award agreement or applicable provisions of laws. In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of shares attested to.

(v) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed $100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

B. Non-transferability of Options. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee, or by the optionee's legal representative or guardian in the event of the optionee's incapacity. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Option that the optionee may transfer his Non-Qualified Stock Options to members of his immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Option.

SECTION 6. STOCK APPRECIATION RIGHTS

A. Nature of Stock Appreciation Rights. A Stock Appreciation Right is an Award entitling the recipient to receive an amount in cash or shares of Stock or a combination thereof having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right, which price shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant (or more than the option exercise price per share, if the Stock Appreciation Right was granted in tandem with a Stock Option) multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised, with the Administrator having the right to determine the form of payment.

B. Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator in tandem with, or independently of, any Stock Option granted pursuant to Section 5 of the Plan. In the case of a Stock Appreciation Right granted in tandem with a Non-Qualified Stock Option, such Stock Appreciation Right may be granted either at or after the time of the grant of such Option. In the case of a Stock Appreciation Right granted in tandem with an Incentive Stock Option, such Stock Appreciation Right may be granted only at the time of the grant of the Option.

A Stock Appreciation Right or applicable portion thereof granted in tandem with a Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Option.

C. Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Administrator, subject to the following:

(i) Stock Appreciation Rights granted in tandem with Options shall be exercisable at such time or times and to the extent that the related Stock Options shall be exercisable.

(ii) Stock Appreciation Rights not granted in tandem with Options shall have a maximum term of ten years and a minimum vesting period of one year.

(iii) Upon exercise of a Stock Appreciation Right, the applicable portion of any related Option shall be surrendered.

(iv) All Stock Appreciation Rights shall be exercisable during the grantee's lifetime only by the grantee or the grantee's legal representative.

SECTION 7. RESTRICTED STOCK AWARDS

A. Nature of Restricted Stock Awards. A Restricted Stock Award is an Award entitling the recipient to acquire, at such purchase price (which may be zero) as determined by the Administrator, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant ("*Restricted Stock*"). Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Restricted Stock Award is contingent on the grantee executing the Restricted Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

B. Rights as a Stockholder. Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Stock shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Stock are vested as provided in Section 7(d) below, and (ii) certificated Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

C. Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 16 below, in writing after the Award agreement is issued, if any, if a grantee's employment (or other service relationship) with the Company and its Subsidiaries terminates for any reason, any Restricted Stock that has not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder. Following such deemed reacquisition of unvested Restricted Stock that are represented by physical certificates, grantee shall surrender such certificates to the Company upon request without consideration.

D. Vesting of Restricted Stock. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or forfeiture shall lapse. Notwithstanding the foregoing, in the event that any such

Restricted Stock shall have a performance-based goal, the restriction period with respect to such shares shall not be less than one year, and in the event any such Restricted Stock shall have a time-based restriction, the restriction period with respect to such shares shall not be less than three years. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon the grantee's termination of employment (or other service relationship) with the Company and its Subsidiaries and such shares shall be subject to the provisions of Section 7(c) above.

SECTION 8. <u>DEFERRED STOCK AWARDS</u>

A. <u>Nature of Deferred Stock Awards</u>. A Deferred Stock Award is an Award of phantom stock units to a grantee, subject to restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Deferred Stock Award is contingent on the grantee executing the Deferred Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. Notwithstanding the foregoing, in the event that any such Deferred Stock Award shall have a performance-based goal, the restriction period with respect to such award shall not be less than one year, and in the event any such Deferred Stock Award shall have a time-based restriction, the restriction period with respect to such award shall not be less than three years. At the end of the deferral period, the Deferred Stock Award, to the extent vested, shall be paid to the grantee in the form of shares of Stock.

B. <u>Election to Receive Deferred Stock Awards in Lieu of Compensation</u>. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of the cash compensation or Restricted Stock Award otherwise due to such grantee in the form of a Deferred Stock Award. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with rules and procedures established by the Administrator. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate.

C. <u>Rights as a Stockholder</u>. During the deferral period, a grantee shall have no rights as a stockholder; provided, however, that the grantee may be credited with Dividend Equivalent Rights with respect to the phantom stock units underlying his Deferred Stock Award, subject to such terms and conditions as the Administrator may determine.

D. <u>Restrictions</u>. A Deferred Stock Award may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of during the deferral period.

E. Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 16 below, in writing after the Award agreement is issued, a grantee's right in all Deferred Stock Awards that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 9. UNRESTRICTED STOCK AWARDS

The Administrator may, in its sole discretion, grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award to any grantee pursuant to which such grantee may receive shares of Stock free of any restrictions ("*Unrestricted Stock*") under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee.

SECTION 10. PERFORMANCE-BASED AWARDS TO COVERED EMPLOYEES

Notwithstanding anything to the contrary contained herein, if any Restricted Stock Award, Deferred Stock Award or Performance Unit Award granted to a Covered Employee is intended to qualify as "Performance-based Compensation" under Section 162(m) of the Code and the regulations promulgated thereunder (a "*Performance-based Award*"), such Award shall comply with the provisions set forth below:

A. Performance Criteria. The performance criteria used in performance goals governing Performance-based Awards granted to Covered Employees may include any or all of the following: (i) revenue; (ii) revenue per employee; (iii) earnings as determined by generally accepted accounting principles ("*GAAP*"); (iv) taxable earnings; (v) GAAP or taxable earnings per employee; (vi) GAAP or taxable earnings per share (basic or diluted); (vii) operating income; (viii) earnings before interest, taxes, depreciation and amortization ("*EBITDA*") or EBITDA per share; (ix) funds from operations ("*FFO*") or FFO per share; (x) funds available for distribution "*FAD*" or FAD per share; (xi) operating margins (however denominated); (xii) level of expenses, including capital expenses or corporate overhead expenses; (xiii) cash flow or cash flow per share; (xiv) total shareholder return; (xv) dividends paid or payable; (xvi) market share; (xvii) profitability as measured by return ratios, including return on revenue, return on assets, return on equity (including adjusted return on equity) and return on investment; (xviii) cash flow; (xix) economic value added (economic profit); and (xx) any one or more of these measures applied to either the Company or any subset of the Company's hotels. In addition, performance goals may be established on a corporate-wide basis; with respect to one or more business units, divisions, subsidiaries or business segments and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. The measurement of performance against goals may exclude, if the Committee provides in individual grant agreements, the impact of charges for restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring items, and the cumulative effects of tax or accounting changes, each as defined by generally accepted accounting principles and as identified in the financial statements, management's discussion and analysis or other SEC filing.

B. Grant of Performance-based Awards. With respect to each Performance-based Award granted to a Covered Employee, the Committee shall select, within the first 90 days of a Performance Cycle (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) the performance criteria for such grant, and the achievement targets with respect to each performance criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The performance criteria established by the Committee may be (but need not be) different for each Performance Cycle and different goals may be applicable to Performance-based Awards to different Covered Employees.

C. Payment of Performance-based Awards. Following the completion of a Performance Cycle, the Committee shall meet to review and certify in writing whether, and to what extent, the performance criteria for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Performance-based Awards earned for the Performance Cycle. The Committee shall then determine the actual size of each Covered Employee's Performance-based Award, and, in doing so, may reduce or eliminate the amount of the Performance-based Award for a Covered Employee if, in its sole judgment, such reduction or elimination is appropriate.

D. Maximum Award Payable. The maximum Performance-based Award payable to any one Covered Employee under the Plan for a Performance Cycle is 500,000 Shares (subject to adjustment as provided in Section 3(b) hereof) and, for cash-based awards, $5,000,000.

SECTION 11. DIVIDEND EQUIVALENT RIGHTS

A. Dividend Equivalent Rights. A Dividend Equivalent Right is an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the grantee. A Dividend Equivalent Right may be granted hereunder to any grantee as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award agreement. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other award.

B. Interest Equivalents. Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the grant for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

C. Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 16 below, in writing after the Award agreement is issued, a grantee's rights in all Dividend Equivalent Rights or interest equivalents granted as a component of another Award that has not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 12. OTHER SHARE-BASED AWARDS

A. Nature of Other Share-Based Awards. Other forms of Awards ("*Other Share-Based Awards*") that may be granted under the Plan include Awards that are valued in whole or in part by reference to, or are otherwise calculated by reference to or based on, shares of Stock, including without limitation, (i) Units, (ii) convertible preferred shares, convertible debentures and other convertible, exchangeable or redeemable securities or equity interests (including Units), (iii) membership interests in a Subsidiary or operating partnership and (iv) Awards valued by reference to book value, fair value or performance parameters relative to the Company or any Subsidiary or group of Subsidiaries. For purposes of calculating the number of shares of Stock underlying an Other Share-Based Award relative to the total number of shares of Stock reserved and available for issuance under Section 3(a), the Administrator shall establish in good faith the maximum number of shares of Stock to which a grantee of such Other Share-Based Award may be entitled upon fulfillment of all applicable conditions set forth in the relevant Award documentation, including vesting, accretion factors, conversion ratios, exchange ratios and the like. If and when any such conditions are no longer capable of being met, in whole or in part, the number of shares of Stock underlying such Other Share-Based Award shall be reduced accordingly by the Administrator and the related shares of Stock shall be added back to the shares of Stock available for issuance under the Plan. Other Share-Based Awards may be issued either alone or in addition to other Awards granted under the Plan and shall be evidenced by an Award agreement. The Administrator shall determine the recipients of, and the time or times at which, Other Share-Based Awards shall be made; the number of shares of Stock or Units to be awarded; the price, if any, to be paid by the recipient for the acquisition of Other Share-Based Awards; and the restrictions and conditions applicable to Other Share-Based Awards. Conditions may be based on continuing employment (or other service relationship), computation of financial metrics and/or achievement of pre-established performance goals and objectives. The provisions of the grant of Other Share-Based Awards need not be the same with respect to each recipient.

(b) Rights as Stockholder. Until such time as an Other Share-Based Award is actually converted into, exchanged for, or paid out in shares of Stock, a recipient shall have no rights as a stockholder.

(c) Non-Transferability. Except as otherwise provided by the Administrator, Other Share-Based Awards may not be sold, transferred, pledged, hypothecated or assigned except by will or the laws of descent and distribution.

(d) Termination of Employment or Service. In the event that a recipient ceases to be employed by or to provide services to the Company, or any Subsidiary, any outstanding Other Share-Based Awards previously granted to such recipient shall be subject to such terms and conditions as set forth in the Award agreement governing such Other Share-Based Awards. Except as may otherwise be provided by the Administrator either in the Award agreement, or, subject to Section 16 below, in writing after the Award agreement is issued, a grantee's rights in all Other Share-Based Awards that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 13. PERFORMANCE UNIT AWARDS.

The Committee may, in its sole discretion, grant cash-based awards to any grantee, subject to the attainment of pre-established performance goals based on the attainment of performance criteria including those described in this Plan, in such amount and upon such terms, and subject to such conditions, as the Committee shall determine at the time of grant ("*Performance Unit Award*").

SECTION 14. TAX WITHHOLDING

A. Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee. The Company's obligation to deliver stock certificates to any grantee is subject to and conditioned on tax obligations being satisfied by the grantee.

B. Payment in Stock. The required tax withholding obligation may be satisfied, in whole or in part, (i) by the Company withholding from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due ("*Share Withholding*"), or (ii) subject to approval by the Administrator, by the grantee transferring to the Company shares of Stock owned by the grantee with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due. The Administrator has specifically approved the use of Share Withholding with respect to all Awards made under the Plan and any dividends paid thereon.

SECTION 15. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

A. a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

B. an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 16. SECTION 409A AWARDS

To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "*409A Award*"), the Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a grantee who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee's separation from service, or (ii) the grantee's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any such Award may not be accelerated except to the extent permitted by Section 409A.

SECTION 17. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. Except as provided in Section 3(b) or 3(c), in no event may the Administrator exercise its discretion to reduce the exercise price of outstanding Stock Options or effect repricing through cancellation and re-grants. Any material Plan amendments (other than amendments that curtail the scope of the Plan), including any Plan amendments that (i) increase the number of shares reserved for issuance under the Plan, (ii) expand the type of Awards available, materially expand the eligibility to participate or materially extend the term of the Plan, or (iii) materially change the method of determining Fair Market Value, shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. In addition, to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 17 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(c).

SECTION 18. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 19. GENERAL PROVISIONS

A. No Distribution; Compliance with Legal Requirements. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

B. Delivery of Stock Certificates. Stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records).

C. Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

D. Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to such Company's insider trading policy and procedures, as in effect from time to time.

E. Designation of Beneficiary. Each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

SECTION 20. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon approval by the holders of a majority of the votes cast at a meeting of stockholders at which a quorum is present. Subject to such approval by the stockholders and to the requirement that no Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board. No grants of Stock Options and other Awards may be made hereunder after the tenth (10^{th}) anniversary of the Effective Date and no grants of Incentive Stock Options may be made hereunder after the tenth (10^{th}) anniversary of the date the Plan is approved by the Board.

SECTION 21. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Maryland, applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS:	June 4, 2004
DATE APPROVED BY STOCKHOLDERS:	June 4, 2004
DATE AMENDED AND RESTATED PLAN APPROVED BY BOARD OF DIRECTORS:	February 27, 2007
DATE AMENDED AND RESTATED PLAN APPROVED BY STOCKHOLDERS	April 26, 2007
DATE AMENDED PLAN APPROVED BY BOARD OF DIRECTORS (STOCKHOLDER APPROVAL NOT REQUIRED)	April 28, 2010

APPENDIX A

NON-EMPLOYEE DIRECTORS'
DEFERRED COMPENSATION PROGRAM

UNDER THE DIAMONDROCK HOSPITALITY COMPANY
2004 STOCK OPTION AND INCENTIVE PLAN

I. INTRODUCTION

The DiamondRock Hospitality Company Non-Employee Directors' Deferred Compensation Program (the "Program"), effective April 28, 2010, is established pursuant to the DiamondRock Hospitality Company 2004 Stock Option and Incentive Plan, as amended and restated on February 27, 2007 and as further amended on April 28, 2010 (the "Plan") and permits a Director who is not an employee (a "Non-Employee Director") of DiamondRock Hospitality Company (the "Company") to defer receipt of certain equity compensation payable to him or her by the Company. Capitalized terms used but not defined herein shall have the meaning given such terms in the Plan.

II. ADMINISTRATION

The Program shall be administered by the Board of Directors of the Company or a designated committee thereof (the "Administrator"). The Administrator shall have complete discretion and authority with respect to the Program and its application, except as expressly limited by the Program.

III. ELIGIBILITY

All Non-Employee Directors are eligible to participate in the Program.

IV. DEFERRAL OF ANNUAL EQUITY GRANT

A Non-Employee Director may elect in advance to defer the receipt of the annual Unrestricted Stock Award under the Plan that is generally made to Non-Employee Directors following the Company's annual stockholders meeting (the "Eligible Grant"). To make an election to defer the Eligible Grant, the Non-Employee Director must execute and deliver to the Administrator an election form specifying that he or she wishes to defer his Eligible Grant. Except with respect to a newly elected or appointed Non-Employee Director or in connection with the establishment of this Program, any election under this paragraph shall apply only to Eligible Grants that are earned with respect to services to be performed beginning on or after the start of the next calendar year after such election is made. A Non-Employee Director who is serving as a Director on the Effective Date may, within 30 days of the Effective Date, file a deferral election which shall apply only to Eligible Grants that are earned with respect to services performed subsequent to the election. A newly elected or appointed Non-Employee Director, may, within 30 days of becoming a Non-Employee Director, file a deferral election which shall apply only to Eligible Grants that are earned with respect to services to be performed subsequent to the election. An election shall remain in effect from year to year, until a new election becomes effective with respect to Eligible Grants to be made in the next calendar year. A Non-Employee Director may revoke his or her deferral election with respect to Eligible Grants that are issuable in the calendar year beginning after the calendar year in which such revocation is received and accepted by the Company.

A. Deferred Account. As of the date of grant of the Eligible Grant, a Non-Employee Director's deferred account ("Account") shall be credited with a number of whole and fractional Deferred Stock Units equal to the number of shares of Stock that would otherwise be issued to him or her pursuant to the Unrestricted Stock Award absent the election described above.

B. Dividend Equivalent Amounts. Whenever dividends are paid with respect to the Stock, each Account shall be credited with a number of whole and fractional Deferred Stock Units determined by multiplying the dividend value per share by the Deferred Stock Unit balance of the Account on the record date and dividing the result by the fair market value of a share of Stock on the dividend payment date. The Administrator may in the future permit Non-Employee Directors to elect whether dividends will be deferred or paid currently; provided that any such election complies with the requirements of Section 409A of the Code. In the absence of any such election, dividends shall be deferred as described in the first sentence of this Section IV.B.

C. Designation of Beneficiary. A Non-Employee Director may designate one or more beneficiaries to receive payments from his or her Account in the event of his or her death. A designation of beneficiary shall apply to a specified percentage of a Non-Employee Director's Account. Such designation, or any change therein, must be in writing and shall be effective upon receipt by the Company. If there is no effective designation of beneficiary, or if no beneficiary survives the Non-Employee Director, the estate of the Non-Employee Director shall be deemed to be the beneficiary. All payments to a beneficiary or estate shall be made in a lump sum in shares of Stock, with any fractional share paid in cash.

D. Payment. All Deferred Stock Units credited to a Non-Employee Director's Account shall be paid in shares of Stock to the Non-Employee Director, or his or her designated beneficiary (or beneficiaries) or estate, in a lump sum; provided, however, that any fractional shares shall be paid in cash. Such payment shall be made as soon as practicable on the first business day that occurs six months after the Non-Employee Director ceases to be a member of the Board of Directors of the Company so long as such cessation of membership constitutes a "separation from service" for purposes of Section 409A of the Code. If such cessation of membership on the Board does not constitute a "separation from service" for purposes of Section 409A of Code, the payment shall be made on the first business day that occurs six months after such Non-Employee Director has such a separation from service. Notwithstanding the foregoing, in the event of a Change in Control (as defined in Section 3(c) of the Plan) which constitutes a change in ownership or effective control of the Company or a change in ownership of a substantial portion of the Company's assets for purposes of Section 409A of the Code, all Accounts under the Program shall become immediately payable on the date of such Change in Control in a lump sum in either shares of Stock or in cash, as determined by the Administrator.

V. ADJUSTMENTS

The Administrator shall make appropriate or proportionate adjustments in the number of Deferred Stock Units credited to Non-Employee Directors' Accounts in accordance with Section 3(b) of the Plan.

VI. AMENDMENT OR TERMINATION OF PROGRAM

The Company reserves the right to amend or terminate the Program at any time, by action of its Board of Directors, provided that no such action shall adversely affect a Non-Employee Director's right to receive compensation earned before the date of such action or his or her rights under the Program with respect to amounts credited to his or her Account before the date of such action. In no event shall the distribution of Accounts to Non-Employee Directors be accelerated or delayed by virtue of any amendment or termination of the Program, except to the extent permitted by Section 409A of the Code.

VII. MISCELLANEOUS PROVISIONS

A. Notices. Any notice required or permitted to be given by the Company or the Administrator pursuant to the Program shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Non-Employee Director at the last address shown for the Non-Employee Director on the records of the Company.

B. Nontransferability of Rights. During a Non-Employee Director's lifetime, any payment under the Program shall be made only to him. No sum or other interest under the Program shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt by a Non-Employee Director or any beneficiary under the Program to do so shall be void. No interest under the Program shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of a Non-Employee Director or beneficiary entitled thereto.

C. Company's Obligations to Be Unfunded and Unsecured. The Accounts maintained under the Program shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company (including Stock) for payment of any amounts hereunder. No Non-Employee Director or other person shall have any interest in any particular assets of the Company (including Stock) by reason of the right to receive payment under the Program, and any Non-Employee Director or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Program.

D. Section 409A. The Program is intended to comply with Section 409A of the Code and shall be interpreted accordingly.

E. Governing Law. The terms of the Program shall be governed, construed, administered and regulated in accordance with the laws of the State of Maryland. In the event any provision of this Program shall be determined to be illegal or invalid for any reason, the other provisions shall continue in full force and effect as if such illegal or invalid provision had never been included herein.

F. Effective Date of Program. The Program shall become effective upon the date specified in Section I hereof.

DiamondRock Hospitality Company

Form of Restricted Stock Award Agreement

Name of Grantee: __________________
No. of Base Shares: __________________
Purchase Price per Share: $
Grant Date:
Vesting Schedule:

Vesting Date	Percentage of Shares Becoming Vested	Cumulative Percentage Vested
February 27, 20__	33.3%	33.3%
February 27, 20__	33.3%	66.6%
February 27, 20__	33.4%	100%

Pursuant to the 2004 Stock Option and Incentive Plan, as amended (the "**Plan**") of DiamondRock Hospitality Company (the "**Company**"), the Company hereby grants a Restricted Stock Award equal to the number of (i) Base Shares set forth above ***plus*** (ii) Additional Shares set forth in Section 3 hereof (the "**Award**") to the Grantee named above. Upon acceptance of the Award, the Grantee shall receive the Award, subject to the restrictions and conditions set forth herein and in the Plan.

1. Acceptance of Award; Rights as Shareholder.

(a) The Grantee shall have no rights with respect to the Award unless he or she shall have accepted the Award by signing and delivering to the Company a copy of this Restricted Stock Award Agreement (this "**Agreement**").

(b) Upon acceptance of the Award by the Grantee and subject to the restrictions and conditions set forth in Section 2 hereof, the shares of Restricted Stock shall be issued and delivered to, or otherwise registered in book entry in the name of, the Grantee, and the Grantee's name shall be entered as the stockholder of record on the books of the Company and shall have all the rights of a shareholder with respect to such shares of Stock, including voting rights and the dividend rights set forth in Section 3 below.

2. Restrictions and Conditions.

(a) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(b) Subject to Section 4(c) below, unless the Administrator provides Grantee (or Grantee's legal representative) contrary written notice within 60 days of the termination of Grantee's employment (which notice may be given in Administrator's sole and complete discretion), if the Grantee's employment with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason, the Company shall automatically repurchase from the Grantee or the Grantee's legal representative any shares of Stock that are not then vested at a price equal to the purchase price per share set forth above. If the Administrator provides Grantee (or Grantee's legal representative) with written notice that the Company will permit the continued vesting of the unvested portion of the Award following the termination of Grantee's employment, then the unvested portion of the Award will continue to vest on the terms set forth in such notice.

3. Additional Shares and Dividends.

(a) Notwithstanding anything contained herein or in the Plan, on each Vesting Date, the Administrator shall award Grantee an additional number of shares of Stock (the "**Additional Shares**") equal to (i) the number of shares of Stock that could have been purchased at the NYSE Closing Price with the aggregate cash dividends payable on the Applicable Dividend Payment Date on the Aggregate Share Count, plus (ii) in the event that the Company shall pay a dividend entirely, or in part, in shares of Stock, the aggregate number of shares of Stock that would have been issued as dividends with respect to the Aggregate Share Count. (An example showing the calculation of Additional Shares is attached as Exhibit 1.)

The "**Aggregate Share Count**" is the total number of Base Shares vesting on such Vesting Date plus any Additional Shares that would have been issued prior to the Applicable Dividend Payment Date had such Base Shares been fully vested when issued.

The "**Applicable Dividend Payment Date**" is any dividend payment date occurring between the Grant Date and the Vesting Date.

The "**NYSE Closing Price**" is the closing price of the Company's Stock on the New York Stock Exchange on the Applicable Dividend Payment Date.

(b) The Grantee shall receive cash in lieu of any fractional shares of Stock, based on the closing price of the Stock on the New York Stock Exchange on the Vesting Date.

(c) Unless and until such Award, or a portion of an Award vests as set forth in Section 4 hereof, the Grantee shall not be entitled to any shares of Stock in lieu of a cash dividend or any stock dividend.

(d) Notwithstanding anything contained herein or in the Plan, the Grantee shall in no event be entitled to any cash or stock dividends on any unvested Award. After the Award vests, the shares of Stock shall have the rights and privileges similar to any other share of Stock.

4. Vesting of Restricted Stock.

(a) The restrictions and conditions in Paragraph 2 of this Agreement, shall lapse as to the Award or a portion of the Award as of the close of business on the Vesting Date or Dates specified in the schedule set forth above. In the event that a Vesting Date is not a day that the New York Stock Exchange is open for business in New York, New York, then the Vesting Date shall be the next subsequent day that the New York Stock Exchange is open for business in New York, New York.

(b) The Administrator may, in its sole discretion, at any time accelerate the vesting of unvested Stock.

(c) Notwithstanding anything contained herein or in the Plan, the terms of any severance or employment agreement between the Company and the Grantee shall determine whether, and to what extent, any unvested shares of Stock held by the Grantee shall accelerate in connection with the occurrence of certain termination of employment events including, without limitation, in the event of a termination of employment in connection with a Change in Control (as such term is defined in any such severance or employment agreement). In addition, upon a Change in Control, if the Award is not assumed, converted or replaced by the continuing entity, all shares of Stock which are not vested shall immediately vest.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to, and governed by, all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. None of the shares of Stock now owned or hereafter acquired shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law, unless such transfer is in compliance with all applicable securities laws, and such disposition is in accordance with the terms, conditions and limitations of the Company’s Amended and Restated Charter. Any attempted disposition of Stock not in accordance with the terms and conditions of this Section 6 shall be null and void, and the Company shall not reflect on its records any change in record ownership of any shares of Stock as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of any shares of Stock.

7. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of the Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Grantee may elect to have the required minimum tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued, or (ii) transferring to the Company, a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Miscellaneous.

(a) Notice hereunder shall be given to the Company at its principal place of business, and shall be given to the Grantee at Grantee's place of employment, or in either case at such other address as one party may subsequently furnish to the other party in writing.

(b) This Agreement does not confer upon the Grantee any rights with respect to continuation of employment by the Company or any Subsidiary.

(c) This Agreement supersedes the previous Restricted Stock Award Agreement, between the Grantee and the Company, related to the grant of a Restricted Stock Award in 2010.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

DiamondRock Hospitality Company

By: ______________________________
Name:
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: ______________________________

____
Grantee’s Signature

EXHIBIT 1

Example of Calculation of Additional Shares

The following is a hypothetical example showing a calculation of how many Additional Shares a Grantee would be entitled to receive over the 3-year vesting schedule of 300 Base Shares:

1. Grantee is awarded 300 Base Shares of Restricted Stock, 100 of which will vest in 2011, 100 in 2012 and 100 in 2013.
2. On January 31, 2011, the Company issues a dividend equivalent to $1.00 per share. The NYSE Closing Price is $10.00 on January 31, 2011. The dividend is payable 90% in stock and 10% in cash.
3. On February 27, 2011, Grantee will receive 110 shares of Stock as follows:
   a. 100 Base Shares will vest;
   b. 10 Additional Shares determined as follows:
      i. 9 shares issued as 90% of the dividend;
      ii. 1 share "purchased" with the $10.00 cash portion of the dividend.
4. On January 31, 2012, the Company issues a dividend equivalent to $1.00 per share. The NYSE closing stock price is $10.00 on January 31, 2012. The dividend is payable 100% in cash.
5. On February 27, 2012, Grantee will receive 121 shares of Stock as follows:
   a. 100 Base Shares will vest;
   b. 21 Additional Shares determined as follows:
      i. 10 Additional Shares that would have been issued with respect to such Base Shares in January 2011 (as calculated in 3b above);
      ii. 11 Additional Shares "purchased" with the aggregate dividend of $110.00 on the 110 Base and Additional Shares which vest.
6. On January 31, 2013, the Company issues a dividend equivalent to $1.00 per share. The NYSE closing stock price is $10.00 on January 31, 2013. The dividend is payable 100% in cash.
7. On February 27, 2013, Grantee will receive 144 shares of Stock as follows:
   a. 100 Base Shares will vest;
   b. 44 Additional Shares determined as follows:
      i. 10 Additional Shares that would have been issued with respect to such Base Shares in January 2011 (as calculated in 3b above);
      ii. 21 Additional Shares that would have been issued with respect to such Base Shares in January 2012 (as calculated in 5b above);
      iii. 13 Additional Shares "purchased" with the aggregate dividend of $131.00 on the 131 Base and Additional Shares which vest. (In addition, Grantee will be paid $1.00 in lieu of receiving a fractional share of stock.)

Exhibit 10.4

**FORM OF
DEFERRED STOCK UNIT AWARD AGREEMENT
FOR THE NON-EMPLOYEE DIRECTORS'
DEFERRED COMPENSATION PROGRAM**

**UNDER THE DIAMONDROCK HOSPITALITY COMPANY
2004 STOCK OPTION AND INCENTIVE PLAN**

Name of Grantee: ______________
Number of DSUs Granted: ______________
Grant Date: ______________

1. Award. Pursuant to the DiamondRock Hospitality Company 2004 Stock Option and Incentive Plan, as amended and restated on February 27, 2007 and as further amended on April 28, 2010 (the "Plan"), DiamondRock Hospitality Company (the "Company") hereby grants to the Grantee named above the number of Deferred Stock Units ("DSUs") specified above. This Award represents a promise to pay to the Grantee at a future date, subject to the restrictions and conditions set forth herein and in the Plan, a number of shares of common stock, par value $0.01 per share (the "Stock") of the Company equal to the number of DSUs. The DSUs are being granted in accordance with the terms of the Company's Non-Employee Directors' Deferred Compensation Program, effective April 28, 2010 (the "Program").

2. Restrictions and Conditions. The DSUs are subject to restrictions as set forth herein, in the Program and in the Plan.

3. Vesting of DSUs. The DSUs granted hereunder shall be fully vested on the Grant Date.

4. Timing and Form of Payout. The DSUs will be paid to the Grantee in the form of shares of Stock at the time and in the manner specified in the Program.

5. Voting Rights and Dividends. Until such time as the DSUs are paid out in shares of Stock, the Grantee shall not have voting rights. However, all dividends and other distributions paid with respect to the shares of Stock covered by the DSUs shall accrue and shall be converted to additional DSUs as specified in the Program.

6. Change in Control. In the event of a Change in Control of the Company prior to the payout of shares of Stock, all DSUs shall be treated as specified in the Program.

7. Beneficiary Designation. The Grantee may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Grantee, shall be in a form prescribed by the Company, and will be effective only when filed by the Grantee in writing with the Company during the Grantee's lifetime. In the absence of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to the Grantee's estate.

8. Continuation of Service as Director. This Agreement shall not confer upon the Grantee any right to continue service with the Company, nor shall this Agreement interfere in any way with the Company's right to terminate the Grantee's service at any time.

9. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Program and the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Program, unless a different meaning is specified herein.

10. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

11. Notices. Notices hereunder shall be mailed or delivered as specified in the Program.

DiamondRock Hospitality Company

By: ______________________________

Title: ______________________________

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: ______________________________

____

Grantee's Signature

Grantee's name and address:

____

____

____

**FORM OF
DEFERRAL ELECTION
FOR THE NON-EMPLOYEE DIRECTORS'
DEFERRED COMPENSATION PROGRAM**

**UNDER THE DIAMONDROCK HOSPITALITY COMPANY
2004 STOCK OPTION AND INCENTIVE PLAN**

1. Pursuant to the DiamondRock Hospitality Company 2004 Stock Option and Incentive Plan, as amended and restated on February 27, 2007 and as further amended on April 28, 2010 (the "Plan") and the Non-Employee Directors' Deferred Compensation Program established thereunder (the "Program"), I, the undersigned Director, hereby elect and instruct DiamondRock Hospitality Company (the "Company") to: [Choose one]

o A. Defer all "Eligible Grants" (as defined in the Program) issuable to me by the Company. By making this election, my annual Eligible Grant will be issued in the form of a Deferred Stock Unit Award, in lieu of an Unrestricted Stock Award.; or

o B. Do **not** defer my "Eligible Grants" (as defined in the Program) issuable to me by the Company. By making this election, my annual Eligible Grant will be issued in the form of an Unrestricted Stock Award.

2. If I elect to defer by checking box A above, I understand that the amounts credited to my deferred account will be paid in shares of Stock of the Company in a lump sum on the first business day that occurs six-months after I cease to serve as a Director of the Company as further described in the Program.

3. If I elect to defer by checking box A above, I hereby designate the following as my beneficiary (or beneficiaries) under the Program and hereby revoke any prior designation of beneficiary:

Beneficiary Name and Address	Relationship	Social Security No.	Percentage

If a beneficiary predeceases me, his or her share shall be paid to the other surviving beneficiaries in equal shares. If no beneficiary survives me or if there is no effective beneficiary designation, my deferred account shall be paid to my estate.

4. If I elect to defer by checking box A above, I understand that with respect to all amounts credited to my deferred account, I have no greater rights than that of an unsecured creditor of the Company.

5. For 2010, this election under Paragraph 1 is being made within 30 days of the Effective Date of the Program and relates solely to Eligible Grants that are earned with respect to services performed subsequent to the date of this election. Thereafter, I understand that any election to defer under Paragraph 1 box A shall apply only to Eligible Grants that are earned beginning at or after the start of the next calendar year beginning after the calendar year in which the election is received and accepted by the Company. The election in Paragraph 1 shall remain in effect for all subsequent years unless the Company accepts, pursuant to the Plan and the Program, a new election. I acknowledge that the election in Paragraph 1 may be completely revoked in writing prospectively with respect to Eligible Grants that are issuable in the calendar year beginning after the calendar year in which such revocation is made, as specified in the Program.

Executed this _____ day of _____, 20_____.

Signature

Print Name

ACCEPTED:

DiamondRock Hospitality Company

By: ______________________

Title: ______________________

Date: ______________________

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a)

I, Mark W. Brugger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiamondRock Hospitality Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2010

/s/ Mark W. Brugger
Mark W. Brugger
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a)

I, Sean M. Mahoney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiamondRock Hospitality Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 5, 2010

/s/ Sean M. Mahoney
Sean M. Mahoney
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification
Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350(a) and (b))

The undersigned officers, who are the Chief Executive Officer and Chief Financial Officer of DiamondRock Hospitality Company (the "Company"), each hereby certifies to the best of his knowledge, that the Company's Quarterly Report on Form 10-Q (the "Report") to which this certification is attached, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark W. Brugger	/s/ Sean M. Mahoney
Mark W. Brugger	Sean M. Mahoney
Chief Executive Officer	Executive Vice President and Chief Financial Officer
May 5, 2010	May 5, 2010