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 June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to _________

Commission File Number 001-32514

DIAMONDROCK HOSPITALITY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Maryland	20-1180098
(State of Incorporation)	(I.R.S. Employer Identification No.)

2 Bethesda Metro Center, Suite 1400, Bethesda, Maryland	20814
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Securities Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	DRH	New York Stock Exchange

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 ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☑ Yes ☐ No

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

Large accelerated filer	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐						

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant had 199,516,435 shares of its $0.01 par value common stock outstanding as of August 7, 2020.

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PART I. FINANCIAL INFORMATION
Item I. Financial Statements

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	June 30, 2020	December 31, 2019
ASSETS	**(unaudited)**	
Property and equipment, net	$ 3,029,905	$ 3,026,769
Right-of-use assets	97,242	98,145
Restricted cash	36,359	57,268
Due from hotel managers	62,129	91,207
Prepaid and other assets	24,795	29,853
Cash and cash equivalents	87,837	122,524
Total assets	**$ 3,338,267**	**$ 3,425,766**
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage and other debt, net of unamortized debt issuance costs	$ 605,034	$ 616,329
Unsecured term loans, net of unamortized debt issuance costs	398,267	398,770
Senior unsecured credit facility	148,985	75,000
Total debt	1,152,286	1,090,099
Deferred income related to key money, net	11,144	11,342
Unfavorable contract liabilities, net	66,412	67,422
Deferred rent	54,186	52,012
Lease liabilities	103,588	103,625
Due to hotel managers	80,524	72,445
Distributions declared and unpaid	138	25,815
Accounts payable and accrued expenses	63,424	81,944
Total liabilities	1,531,702	1,504,704
Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 400,000,000 shares authorized; 199,516,435 and 200,207,795 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	1,995	2,002
Additional paid-in capital	2,082,601	2,089,349
Accumulated deficit	(286,198)	(178,861)
Total stockholders' equity	1,798,398	1,912,490
Noncontrolling interests	8,167	8,572
Total equity	1,806,565	1,921,062
Total liabilities and equity	**$ 3,338,267**	**$ 3,425,766**

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

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues:				
Rooms	$ 13,099	$ 181,629	$ 124,900	$ 318,282
Food and beverage	3,038	60,714	46,943	111,179
Other	4,242	15,575	18,531	30,832
Total revenues	20,379	257,918	190,374	460,293
Operating Expenses:				
Rooms	7,143	42,922	42,796	81,741
Food and beverage	4,715	36,456	35,802	69,606
Management fees	(78)	7,317	3,399	12,657
Franchise fees	793	7,208	6,589	13,067
Other hotel expenses	40,720	81,319	118,563	156,798
Depreciation and amortization	28,783	29,335	58,883	58,331
Corporate expenses	6,826	7,403	12,383	14,467
Business interruption insurance income	—	—	—	(8,822)
Total operating expenses, net	88,902	211,960	278,415	397,845
Interest and other (income) expense, net	(150)	(105)	249	(408)
Interest expense	11,629	12,418	32,847	24,080
Total other expenses, net	11,479	12,313	33,096	23,672
(Loss) income before income taxes	(80,002)	33,645	(121,137)	38,776
Income tax benefit (expense)	6,615	(4,571)	13,058	(722)
Net (loss) income	(73,387)	29,074	(108,079)	38,054
Less: Net loss (income) attributable to noncontrolling interests	605	(114)	738	(149)
Net (loss) income attributable to common stockholders	$ (72,782)	$ 28,960	$ (107,341)	$ 37,905
(Loss) earnings per share:				
Net (loss) income per share available to common stockholders —basic	$ (0.36)	$ 0.14	$ (0.53)	$ 0.19
Net (loss) income per share available to common stockholders —diluted	$ (0.36)	$ 0.14	$ (0.53)	$ 0.19

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

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except share and per share amounts)
(unaudited)

	Common Stock						
	Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2019	200,207,795	$ 2,002	$ 2,089,349	$ (178,861)	$ 1,912,490	$ 8,572	$ 1,921,062
Share-based compensation	154,981	1	189	—	190	238	428
Redemption of Operating Partnership units	—	—	(15)	—	(15)	(186)	(201)
Common stock repurchased and retired	(1,119,438)	(11)	(9,989)	—	(10,000)	—	(10,000)
Net loss	—	—	—	(34,559)	(34,559)	(133)	(34,692)
Balance at March 31, 2020	199,243,338	$ 1,992	$ 2,079,534	$ (213,420)	$ 1,868,106	$ 8,491	$ 1,876,597
Share-based compensation	137,616	2	2,054	4	2,060	281	2,341
Sale of common stock in follow-on offerings, net of placement fees and expenses of $10	135,481	1	1,013	—	1,014	—	1,014
Net loss	—	—	—	(72,782)	(72,782)	(605)	(73,387)
Balance at June 30, 2020	199,516,435	$ 1,995	$ 2,082,601	$ (286,198)	$ 1,798,398	$ 8,167	$ 1,806,565

	Common Stock						
	Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2018	204,536,485	$ 2,045	$ 2,126,472	$ (245,620)	$ 1,882,897	$ 7,696	$ 1,890,593
Cumulative effect of ASC 842 adoption	—	—	—	(15,286)	(15,286)	—	(15,286)
Distributions on common stock/units ($0.125 per share)	—	—	113	(25,483)	(25,370)	(134)	(25,504)
Share-based compensation	55,916	1	1,073	—	1,074	83	1,157
Common stock repurchased and retired	(3,143,922)	(31)	(29,967)	—	(29,998)	—	(29,998)
Net income	—	—	—	8,945	8,945	35	8,980
Balance at March 31, 2019	201,448,479	$ 2,015	$ 2,097,691	$ (277,444)	$ 1,822,262	$ 7,680	$ 1,829,942
Distributions on common stock/units ($0.125 per share)	—	—	120	(25,365)	(25,245)	(134)	(25,379)
Share-based compensation	33,396	1	1,955	—	1,956	249	2,205
Common stock repurchased and retired	(1,004,589)	(11)	(10,021)	—	(10,032)	—	(10,032)
Net income	—	—	—	28,960	28,960	114	29,074
Balance at June 30, 2019	200,477,286	$ 2,005	$ 2,089,745	$ (273,849)	$ 1,817,901	$ 7,909	$ 1,825,810

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

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities:		
Net (loss) income	$ (108,079)	$ 38,054
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	58,883	58,331
Corporate asset depreciation as corporate expenses	117	110
Non-cash lease expense and other amortization	3,458	3,501
Non-cash interest rate swap fair value adjustment	12,312	1,647
Amortization of debt issuance costs	935	960
Amortization of deferred income related to key money	(198)	(198)
Share-based compensation	3,898	3,659
Changes in assets and liabilities:		
Prepaid expenses and other assets	(5,346)	(6,289)
Due to/from hotel managers	37,172	(20,446)
Accounts payable and accrued expenses	(23,292)	1,573
Net cash (used in) provided by operating activities	(20,140)	80,902
Cash flows from investing activities:		
Capital expenditures for operating hotels	(31,830)	(47,043)
Capital expenditures for Frenchman's Reef	(37,689)	(42,245)
Acquisition of interest in the land underlying the Shorebreak Hotel	(1,585)	—
Proceeds from property insurance	10,663	—
Net cash used in investing activities	(60,441)	(89,288)
Cash flows from financing activities:		
Scheduled mortgage debt principal payments	(7,082)	(6,863)
Proceeds from sale of common stock, net	1,015	—
Proceeds from mortgage debt	48,000	—
Repayments of mortgage debt	(52,517)	—
Draws on senior unsecured credit facility	400,000	105,000
Repayments of senior unsecured credit facility	(326,015)	—
Payment of financing costs	(1,410)	—
Distributions on common stock and units	(25,557)	(51,558)
Repurchase of common stock	(10,000)	(40,030)
Redemption of Operating Partnership units	(201)	—
Shares redeemed to satisfy tax withholdings on vested share-based compensation	(1,248)	(296)
Net cash provided by financing activities	24,985	6,253
Net decrease in cash, cash equivalents, and restricted cash	(55,596)	(2,133)
Cash, cash equivalents, and restricted cash at beginning of period	179,792	91,598
Cash, cash equivalents, and restricted cash at end of period	$ 124,196	$ 89,465

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

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)
(in thousands)
(unaudited)

Supplemental Disclosure of Cash Flow Information:

	Six Months Ended June 30,	
	2020	2019
Cash paid for interest	$ 21,846	$ 21,409
Cash (refunded) paid for income taxes, net	$ (218)	$ 1,160
Capitalized interest	$ 2,136	$ 499
Non-cash cumulative effect of ASC 842 accounting standard adoption	$ —	$ 15,286
Non-cash Investing and Financing Activities:		
Unpaid dividends and distributions declared	$ 138	$ 25,667

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to the amount shown within the consolidated statements of cash flows:

	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 87,837	$ 122,524
Restricted cash (1)	36,359	57,268
Total cash, cash equivalents and restricted cash	$ 124,196	$ 179,792

(1) Restricted cash primarily consists of reserves for replacement of furniture and fixtures held by our hotel managers and cash held in escrow pursuant to lender requirements.

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

DIAMONDROCK HOSPITALITY COMPANY

Notes to the 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 premium hotels and resorts. Our hotels are concentrated in key gateway cities and in destination resort locations, and the majority of our hotels are operated under a brand owned by one of the leading global lodging brand companies (Marriott International, Inc. ("Marriott") or Hilton Worldwide ("Hilton")). We are an owner, as opposed to an operator, of the hotels in our portfolio. As an owner, we receive all of the operating profits or losses generated by our hotels after we pay fees to the hotel managers, which are based on the revenues and profitability of the hotels.

As of June 30, 2020, we owned 31 hotels with 10,102 guest rooms, located in the following markets: Atlanta, Georgia; Boston, Massachusetts (2); Burlington, Vermont; Charleston, South Carolina; Chicago, Illinois (2); Denver, Colorado (2); Fort Lauderdale, Florida; Fort Worth, Texas; Huntington Beach, California; Key West, Florida (2); New York, New York (4); Phoenix, Arizona; Salt Lake City, Utah; San Diego, California; San Francisco, California (2); Sedona, Arizona (2); Sonoma, California; South Lake Tahoe, California; Washington, D.C. (2); St. Thomas, U.S. Virgin Islands; and Vail, Colorado. Our hotel located in St. Thomas, U.S. Virgin Islands, Frenchman's Reef & Morning Star Beach Resort ("Frenchman's Reef") is closed as a result of damage caused by Hurricane Irma in September 2017.

We conduct our business through a traditional umbrella partnership real estate investment trust, 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 our operating partnership and owns 99.6% of the limited partnership units ("common OP units") of our operating partnership. The remaining 0.4% of the common OP units are held by third parties and executive officers of the Company. See Note 5 for additional disclosures related to common OP units.

COVID-19 Pandemic and Management's Response

In March 2020, the World Health Organization declared the novel coronavirus, or COVID-19, a global pandemic. Since then, the virus has continued to spread throughout the United States and globally. As a result of the pandemic, government mandates and health official recommendations, the demand for lodging has materially decreased. Throughout March and April 2020, we suspended operations at 20 of our hotels. As of June 30, 2020, we had reopened 12 of those hotels. Subsequent to June 30, 2020, we reopened three additional hotels. The hotels that remained open and the hotels that have reopened are operating at historically low occupancy levels. As a result, the COVID-19 pandemic has had a material adverse impact on our operations and financial results for the three and six months ended June 30, 2020. The severity and duration of the COVID-19 pandemic cannot be reasonably estimated at this time, but we expect it will continue to have a material adverse impact on our results of operations, financial position and cash flow in 2020.

We have taken aggressive steps in order to mitigate the ongoing operational and financial impacts on our business. We drew down funds on our $400 million senior unsecured credit facility, suspended our quarterly dividend, canceled or deferred a significant portion of our capital expenditures planned for 2020, paused the reconstruction of Frenchman's Reef and reduced corporate expenses through decreases in executive compensation, employee headcount and other expenses. Additionally, in coordination with our hotel operators, we have developed and implemented action plans to significantly reduce operating costs at each of our hotels. On June 9, 2020, we executed amendments to the credit agreements for our $400 million senior unsecured credit facility and $400 million of unsecured term loans. The amendments provide a waiver of the quarterly-tested financial covenants beginning with the second quarter of 2020 through the first quarter of 2021 and certain other modifications to the covenants thereafter through the fourth quarter of 2021. Please see Note 8 for more information about these amendments.

As of June 30, 2020, the Company had unrestricted cash of $87.8 million and $251.0 million of borrowing capacity on our senior unsecured credit facility.

2. Summary of Significant Accounting Policies

Basis of Presentation

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. If the Company determines that it has an interest

in a variable interest entity within the meaning of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *Consolidation*, the Company will consolidate the entity when it is determined to be the primary beneficiary of the entity. Our operating partnership meets the criteria of a variable interest entity. The Company is the primary beneficiary and, accordingly, we consolidate our operating partnership.

In our opinion, the accompanying unaudited consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 30, 2020, the results of our operations for the three and six months ended June 30, 2020 and 2019, the statements of equity for the three and six months ended June 30, 2020 and 2019, and the cash flows for the six months ended June 30, 2020 and 2019. Interim results are not necessarily indicative of full-year performance because of the impact of seasonal and short-term variations. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2019, included in our Annual Report on Form 10-K filed on February 28, 2020.

Use of Estimates

The preparation of the 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.

Currently, one of the most significant risks and uncertainties is the potential length and severity of the ongoing COVID-19 pandemic. The COVID-19 pandemic has reduced travel and adversely affected the hospitality industry in general. We believe that the actual and threatened spread of COVID-19 globally or in the regions in which we operate, or the future widespread outbreak of infectious or contagious disease, will continue to reduce national and international travel in general. The extent to which our business will continue to be affected by COVID-19 will largely depend on future developments, which we cannot predict with a high degree of confidence, and its impact on customer travel, including the duration of the outbreak, the continued spread and treatment of COVID-19, new information and developments that may emerge concerning the severity of COVID-19 and the actions of governments and individuals to contain COVID-19 or mitigate its impact, as well as the effect of any relaxation of current restrictions, among others. To the extent that travel activity in the U.S. continues to be materially and adversely affected by COVID-19, the overall business and financial results of the hospitality industry, as well as the business and financial results of the Company, would similarly continue to be materially and adversely impacted. See Note 1 for additional disclosures related to COVID-19 and its impact on our Company.

Property and Equipment

Investment purchases of hotel properties, land, land improvements, building and furniture, fixtures and equipment and identifiable intangible assets that are not businesses are accounted for as asset acquisitions and recorded at relative fair value based upon total accumulated cost of the acquisition. Direct acquisition-related costs are capitalized as a component of the acquired assets. Property and equipment purchased after the hotel acquisition date is recorded at cost. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of a fixed asset, the cost and related accumulated depreciation are removed from the Company's accounts and any resulting gain or loss is included in the statements of operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 40 years for buildings, land improvements, and building improvements and 1 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets.

We review our investments in hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse changes in the demand for lodging at the properties, current or projected losses from operations, and an expectation that the property is more likely than not to be sold significantly before the end of its useful life. Management performs an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the

ultimate disposition of a hotel, less costs to sell, exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount of the asset, an adjustment to reduce the carrying amount to the related hotel's estimated fair market value is recorded and an impairment loss is recognized. As a result of the COVID-19 pandemic, we reviewed each of our hotel properties for impairment as of June 30, 2020 and concluded the carrying value of each of the hotel properties is recoverable. Due to the continuing effects of the pandemic, however, estimated future cash flows could further decline and result in the recognition of an impairment charge on one or more of our hotel properties in future periods.

We will classify a hotel as held for sale in the period that we have made the decision to dispose of the hotel, a binding agreement to purchase the property has been signed under which the buyer has committed a significant amount of nonrefundable cash and no significant financing or other contingencies exist which could cause the transaction to not be completed in a timely manner. If these criteria are met, we will record an impairment loss if the fair value less costs to sell is lower than the carrying amount of the hotel and related assets and will cease recording depreciation expense. We will classify the assets and related liabilities as held for sale on the balance sheet.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Revenues from operations of the hotels are recognized when the goods or services are provided. Revenues consist of room sales, food and beverage sales, and other hotel department revenues, such as telephone, parking, gift shop sales and resort fees. Rooms revenue is recognized over the length of stay that the hotel room is occupied by the customer. Food and beverage revenue is recognized at the point in time in which the goods and/or services are rendered to the customer, such as for restaurant dining services or banquet services. Other revenues are recognized at the point in time or over the time period that goods or services are provided to the customer. Certain ancillary services are provided by third parties and we assess whether we are the principal or agent in these arrangements. If we are the principal, we recognize revenue based upon the gross sales price.

Advance deposits are recorded as liabilities when a customer or group of customers provides a deposit for a future stay or banquet event at our hotels. Advance deposits are converted to revenue when the services are provided to the customer or when a customer with a noncancelable reservation fails to arrive for part or all of the reservation. Conversely, advance deposits are generally refundable upon guest cancellation of the related reservation within an established period of time prior to the reservation.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) 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 common OP units. No adjustment is made for shares that are anti-dilutive during a period.

Share-based Compensation

We account for share-based employee compensation using the fair value based method of accounting. We record the cost of awards with service or market conditions based on the grant-date fair value of the award. That cost 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

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the 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 during the period in which the new rate is enacted. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of all available evidence, including the future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We have elected to be treated as a real estate investment trust ("REIT") under the provisions of the Internal Revenue Code of 1986, as amended, which requires that we distribute at least 90% of our taxable income annually to our stockholders and comply with certain other requirements. In addition to paying federal and state taxes on any retained income, we may be subject to taxes on "built-in gains" on sales of certain assets. Our taxable REIT subsidiaries will generally be subject to federal, state, local, and/or foreign income taxes.

In order for the income from our hotel property investments to constitute "rents from real properties" for purposes of the gross income tests required for REIT qualification, the income we earn cannot be derived from the operation of any of our hotels. Therefore, we lease each of our hotel properties to a wholly owned subsidiary of Bloodstone TRS, Inc., our taxable REIT subsidiary ("TRS"), except for Frenchman's Reef, which is owned by a Virgin Islands corporation that we have elected to be treated as a TRS, and Cavallo Point, The Lodge at the Golden Gate ("Cavallo Point"), which is leased to a wholly owned subsidiary of the Company, which we have elected to be treated as a TRS.

We had no accruals for tax uncertainties as of June 30, 2020 and December 31, 2019.

Fair Value Measurements

In evaluating fair value, U.S. GAAP outlines a valuation framework and creates a fair value hierarchy that distinguishes between market assumptions based on market data (observable inputs) and a reporting entity's own assumptions about market data (unobservable inputs). The hierarchy ranks the observability of inputs used to determine fair value, which are then classified and disclosed in one of the three categories. The three levels are as follows:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs include quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets in markets that are not active and model-derived valuations whose inputs are observable
- Level 3 - Model-derived valuations with unobservable inputs

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 contract 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 we review these assets for impairment annually or at interim periods if events or circumstances indicate that the asset may be impaired.

Comprehensive Income

We do not have any comprehensive income other than net income. If we have any comprehensive income in future periods, such that a statement of comprehensive income would be necessary, such statement will be reported as one statement with the consolidated statement of operations.

Derivative Instruments

In the normal course of business, we are exposed to the effects of interest rate changes. We may enter into derivative instruments, including interest rate swaps and caps, to manage or hedge interest rate risk. Derivative instruments are recorded at fair value on the balance sheet date. We have not elected hedge accounting treatment for the changes in the fair value of derivatives. Changes in the fair value of derivatives are recorded each period and are included in interest expense in the consolidated statements of operations.

Noncontrolling Interests

The noncontrolling interest is the portion of equity in our consolidated operating partnership not attributable, directly or indirectly, to the Company. Such noncontrolling interests are reported on the consolidated balance sheets within equity, separately from the Company's equity. On the consolidated statements of operations, revenues, expenses and net income or loss from our less-than-wholly-owned operating partnership are reported within the consolidated amounts, including both the amounts attributable to the Company and noncontrolling interests. Income or loss is allocated to noncontrolling interests based on their weighted average ownership percentage for the applicable period. Consolidated statements of equity include beginning balances, activity for the period and ending balances for stockholders' equity, noncontrolling interests and total equity.

Restricted Cash

Restricted cash primarily consists of reserves for replacement of furniture and fixtures generally held by our hotel managers and cash held in escrow pursuant to lender requirements.

Debt Issuance Costs

Financing costs are recorded at cost as a component of the debt carrying amount and consist of loan fees and other costs incurred in connection with the issuance of debt. Amortization of debt issuance costs is computed using a method that approximates the effective interest method over the remaining life of the debt and is included in interest expense in the accompanying consolidated statements of operations. Debt issuance costs related to our Revolving Credit Facility (defined in Note 8) are included within prepaid and other assets on the accompanying consolidated balance sheets. These debt issuance costs are amortized ratably over the term of the Revolving Credit Facility, regardless of whether there are any outstanding borrowings, and the amortization is included in interest expense in the accompanying consolidated statements of operations.

Due to/from Hotel Managers

The due from hotel managers consists of hotel level accounts receivable, periodic hotel operating distributions receivable from managers and prepaid and other assets held by the hotel managers on our behalf. The due to hotel managers represents liabilities incurred by the hotel on behalf of us in conjunction with the operation of our hotels which are legal obligations of the Company.

Key Money

Key money received in conjunction with entering into hotel management or franchise agreements or completing specific capital projects is deferred and amortized over the term of the hotel management agreement, the term of the franchise agreement, or other systematic and rational period, if appropriate. Deferred key money is classified as deferred income in the accompanying consolidated balance sheets and amortized as an offset to management fees or franchise fees.

Leases

We determine if an arrangement is a lease or contains an embedded lease at inception. For agreements with both lease and nonlease components (e.g., common-area maintenance costs), we do not separate the nonlease components from the lease components, but account for these components as one. We determine the lease classification (operating or finance) at lease inception.

Right-of-use assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. The discount rate used to determine the present value of the lease payments is our incremental borrowing rate as of the lease commencement date, as the implicit rate is not readily determinable. The right-of-use assets also include any initial direct costs and any lease payments made at or before the commencement date, and is reduced for any unrestricted incentives received at or before the commencement date.

Options to extend or terminate the lease are included in the recognition of our right-of-use assets and lease liabilities when it is reasonably certain that we will exercise the option. Variable payments that are based on an index or a rate are included in the recognition of our right-of-use assets and lease liabilities using the index or rate at lease commencement; however, changes to these lease payments due to rate or index updates are recorded as rent expense in the period incurred. Contingent rentals based on a percentage of sales in excess of stipulated amounts are not included in the measurement of the lease liability and right-of-use asset but will be recognized as variable lease expense when they are incurred. Leases that contain provisions that increase the fixed minimum lease payments based on previously incurred variable lease payments related to performance will be remeasured, as these payments now represent an increase in the fixed minimum payments for the remainder of the lease term. However, leases with provisions that increase minimum lease payments based on changes in a reference index or rate (e.g. Consumer Price Index) will not be remeasured as such changes do not constitute a resolution of a contingency.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of our cash and cash equivalents. We maintain cash and cash equivalents with various 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.

Segment Reporting

Each one of our hotels is an operating segment. We evaluate each of our properties on an individual basis to assess performance, the level of capital expenditures, and acquisition or disposition transactions. Our evaluation of individual properties is not focused on property type (e.g. urban, suburban, or resort), brand, geographic location, or industry classification.

We aggregate our operating segments using the criteria established by U.S. GAAP, including the similarities of our product offering, types of customers and method of providing service. All of our properties react similarly to economic stimulus, such as business investment, changes in Gross Domestic Product, and changes in travel patterns. As such, all our operating segments meet the aggregation criteria, resulting in a single reportable segment represented by our consolidated financial results.

Accounting for Impact of Natural Disasters

Assets destroyed or damaged as a result of natural disasters or other involuntary events are written off or reduced in carrying value to their salvage value. When recovery of all or a portion of the amount of property damage loss or other covered expenses through insurance proceeds is demonstrated to be probable, a receivable is recorded and offsets the loss or expense up to the amount of the total loss or expense. No gain is recorded until all contingencies related to the insurance claim have been resolved. Income resulting from business interruption insurance is not recognized until all contingencies related to the insurance recoveries are resolved.

Frenchman's Reef has been closed since September 2017, when the hotel was significantly damaged by Hurricane Irma. For the six months ended June 30, 2019, we recognized $8.8 million of business interruption insurance income related to Frenchman's Reef. We settled our insurance claim for Hurricane Irma in December 2019, and for the six months ended June 30, 2020, we did not recognize any business interruption insurance income.

3. **Property and Equipment**

Property and equipment as of June 30, 2020 and December 31, 2019 consists of the following (in thousands):

	June 30, 2020	December 31, 2019
Land	$ 618,210	$ 617,695
Land improvements	7,994	7,994
Buildings and site improvements	2,766,924	2,751,590
Furniture, fixtures and equipment	536,348	534,802
Construction in progress	171,205	126,464
	4,100,681	4,038,545
Less: accumulated depreciation	(1,070,776)	(1,011,776)
	$ 3,029,905	$ 3,026,769

On March 2, 2020, we acquired the remaining 4.5% interest in the land underlying the Shorebreak Hotel located in Huntington Beach, California, for a purchase price of $1.6 million. We now own 100% of the interest in the land underlying the hotel.

As of June 30, 2020 and December 31, 2019, we had accrued capital expenditures of $5.2 million and $13.1 million, respectively.

4. Leases

We are subject to operating leases, the most significant of which are ground leases. We are the lessee to ground leases under eight of our hotels and one parking garage as of June 30, 2020. The lease liabilities for our operating leases assume the exercise of all available extension options, as we believe they are reasonably certain to be exercised. As of June 30, 2020, our operating leases have a weighted-average remaining lease term of 66 years and a weighted-average discount rate of 5.77%.

The components of operating lease expense, which is included in other hotel expenses in our consolidated statements of operations, and cash paid for amounts included in the measurement of lease liabilities, are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating lease cost	$ 2,763	$ 2,832	$ 5,571	$ 5,582
Variable lease payments	$ 2	$ 489	$ 239	$ 826
Cash paid for amounts included in the measurement of operating lease liabilities	$ 803	$ 798	$ 1,610	$ 1,586

Maturities of lease liabilities are as follows (in thousands):

Year Ending December 31,	As of June 30, 2020
2020 (excluding the six months ended June 30, 2020)	$ 1,604
2021	3,496
2022	3,940
2023	3,997
2024	3,976
Thereafter	759,124
Total lease payments	776,137
Less imputed interest	(672,549)
Total lease liabilities	$ 103,588

5. Equity

Common Shares

We are authorized to issue up to 400 million shares of common stock, $0.01 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.

We have an "at-the-market" equity offering program (the "ATM Program"), pursuant to which we may issue and sell shares of our common stock from time to time, having an aggregate offering price of up to $200 million. During the three and six months ended June 30, 2020, we sold 135,481 shares of common stock at an average price of $7.56 per share for proceeds of $1.0 million, net of approximately $10 thousand in fees paid to the applicable sales agent. As of August 7, 2020, shares of common stock having an aggregate offering price of up to $199.0 million remained available for sale under the ATM Program.

Our board of directors has approved a share repurchase program (the "Share Repurchase Program") authorizing us to repurchase shares of our common stock having an aggregate price of up to $250 million. Repurchases under the Share Repurchase Program are made in open market or privately negotiated transactions as permitted by federal securities laws and other legal requirements. This authority may be exercised from time to time and in such amounts as market conditions warrant, and subject to regulatory considerations. The timing, manner, price and actual number of shares repurchased will depend on a variety of factors, including stock price, corporate and regulatory requirements, market conditions, and other corporate liquidity requirements and priorities. The Share Repurchase Program may be suspended or terminated at any time without prior notice. During the first quarter of 2020, we repurchased 1,119,438 shares of our common stock at an average price of $8.91 per share for a total purchase price of $10.0 million. These shares were all repurchased prior to March 4, 2020. We retired all repurchased shares on their respective settlement dates. We have suspended share repurchases and, pursuant to our Amended Credit Agreements (as defined in Note 8), may not repurchase shares while our financial covenant requirements are waived on our senior unsecured credit facility and unsecured term loans. As of August 7, 2020, we have $165.2 million of authorized capacity remaining under our share repurchase program.

Preferred Shares

We are authorized to issue up to 10 million shares of preferred stock, $0.01 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 June 30, 2020 and December 31, 2019, there were no shares of preferred stock outstanding.

Operating Partnership Units

In connection with our acquisition of Cavallo Point in December 2018, we issued 796,684 common OP units to third parties, otherwise unaffiliated with the Company, at $11.76 per unit. Each common OP unit is redeemable at the option of the holder. Holders of common OP 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, subject to adjustment upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions.

Long-Term Incentive Partnership units ("LTIP units"), which are also referred to as profits interest units, may be issued to eligible participants under the 2016 Plan (as defined in Note 6 below) for the performance of services to or for the benefit of our operating partnership. LTIP units are a class of partnership unit in our operating partnership and will receive, whether vested or not, the same per-unit distributions as the outstanding common OP units, which equal per-share dividends on shares of our common stock. Initially, LTIP units have a capital account balance of zero, do not receive an allocation of operating income (loss), and do not have full parity with common OP units with respect to liquidating distributions. If such parity is reached, vested LTIP units are converted into an equal number of common OP units, and thereafter will possess all of the rights and interests of common OP units, including the right to exchange the common OP units 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, subject to adjustment upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions. See Note 6 for additional disclosures related to LTIP units.

There were 855,191 and 792,131 common OP units held by unaffiliated third parties and executive officers of the Company as of June 30, 2020 and December 31, 2019, respectively. There were 243,809 and 244,366 LTIP units outstanding as of June 30, 2020 and December 31, 2019, respectively. All vested LTIP units have reached economic parity with common OP units and have been converted into common OP units.

Dividends and Distributions

We have paid the following dividends to holders of our common stock and distributions to holders of common OP units and LTIP units during 2020:

Payment Date	**Record Date**	**Dividend per Share**
January 13, 2020	January 2, 2020	$ 0.125

Our board of directors suspended the quarterly dividend commencing with the first quarter dividend that would have been paid in April 2020. We expect to pay a dividend in January 2021 sufficient to cover 100% of our taxable income, if any, for the year ending December 31, 2020.

6. Stock Incentive Plans

We are authorized to issue up to 6,082,664 shares of our common stock under our 2016 Equity Incentive Plan (the "2016 Plan"), of which we have issued or committed to issue 3,053,153 shares as of June 30, 2020.

Restricted Stock Awards

Restricted stock awards issued to our officers and employees generally 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 consolidated statements of operations. A summary of our restricted stock awards from January 1, 2020 to June 30, 2020 is as follows:

	Number of Shares		Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2020	472,999	$	10.40
Granted	343,410		9.41
Vested	(229,664)		10.55
Forfeited	(13,683)		9.99
Unvested balance at June 30, 2020	573,062	$	9.76

The remaining share awards are expected to vest as follows: 8,202 shares during 2020, 247,019 shares during 2021, 141,836 during 2022 and 176,005 during 2023. As of June 30, 2020, the unrecognized compensation cost related to restricted stock awards was $4.6 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 27 months. We recorded $0.6 million of compensation expense related to restricted stock awards for the three months ended June 30, 2020 and 2019. We recorded $1.3 million and $1.4 million of compensation expense related to restricted stock awards for the six months ended June 30, 2020 and 2019, respectively.

Performance Stock Units

Performance stock units (“PSUs”) are restricted stock units that vest three years from the date of grant. Each executive officer is granted a target number of PSUs (the “PSU Target Award”). The actual number of shares of common stock issued to each executive officer is based on the Company's achievement of certain performance targets. Fifty percent of the PSUs are based on relative total stockholder return and 50% on hotel market share improvement. The achievement of certain levels of total stockholder return relative to the total stockholder return of a peer group of publicly-traded lodging REITs is measured over a three-year performance period. There is no payout of shares of our common stock if our total stockholder return falls below the 30th percentile of the total stockholder returns of the peer group. The maximum number of shares of common stock issued to an executive officer is equal to 150% of the PSU Target Award and is earned if our total stockholder return is equal to or greater than the 75th percentile of the total stockholder returns of the peer group. The number of PSUs earned is limited to 100% of the PSU Target Award if the Company's total stockholder return is negative for the three-year performance period. The improvement in market share for each of our hotels is measured over a three-year performance period based on a report prepared for each hotel by STR Global, a well-recognized and universally accepted benchmarking service for the hospitality industry.

We measure compensation expense for the PSUs based upon the fair market value of the award at the grant date. Compensation expense is recognized on a straight-line basis over the three-year performance period and is included in corporate expenses in the accompanying consolidated statements of operations. The grant date fair value of the portion of the PSUs based on our relative total stockholder return is determined using a Monte Carlo simulation performed by a third-party valuation firm. The grant date fair value of the portion of the PSUs based on hotel market share improvement is the closing price of our common stock on the grant date.

On February 25, 2020, our board of directors granted 352,035 PSUs to our executive officers. The grant date fair value of the portion of the PSUs based on our relative total stockholder return was $8.52 using the assumptions of volatility of 21.4% and a risk-free rate of 1.16%. The grant date fair value of the portion of the PSUs based on hotel market share was $9.58, which was the closing stock price of our common stock on such date.

A summary of our PSUs from January 1, 2020 to June 30, 2020 is as follows:

	Number of Target Units		Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2020	796,532	$	11.16
Granted	352,035		9.02
Additional units from dividends	9,556		10.42
Vested (1)	(245,937)		11.00
Unvested balance at June 30, 2020	912,186	$	9.63

(1) The number of shares of common stock earned for the PSUs vested in 2020 was equal to 123.07% of the PSU Target Award.

The remaining unvested PSUs are expected to vest as follows: 290,927 units during 2021, 269,224 units during 2022 and 352,035 during 2023. The number of shares earned upon vesting is subject to the attainment of the performance goals described above. As of June 30, 2020, the unrecognized compensation cost related to the PSUs was $4.8 million and is expected to be recognized on a straight-line basis over a weighted average period of 26 months. We recorded $0.7 million of compensation expense related to the PSUs for each of the three months ended June 30, 2020 and 2019. We recorded $1.4 million and $1.3 million of compensation expense related to the PSUs for the six months ended June 30, 2020 and 2019, respectively.

LTIP Units

LTIP units are designed to offer executives a long-term incentive comparable to restricted stock, while allowing them to enjoy a more favorable income tax treatment. Each LTIP unit awarded is deemed equivalent to an award of one share of common stock reserved under the 2016 Plan. At the time of award, LTIP units do not have full economic parity with common OP units, but can achieve such parity over time upon the occurrence of specified events in accordance with partnership tax rules.

On February 25, 2020, our board of directors granted 80,898 LTIP units to certain of our executive officers. Other executive officers of the Company elected to receive restricted stock in lieu of LTIP units. The grant date fair value of the LTIP unit was the closing price of our common stock on the grant date.

A summary of our LTIP units from January 1, 2020 to June 30, 2020 is as follows:

	Number of Units	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2020	244,366	$ 10.65
Granted	80,898	9.58
Vested (1)	(81,455)	10.65
Unvested balance at June 30, 2020	243,809	$ 10.29

(1) As of June 30, 2020, all vested LTIP units have been converted to common OP units.

The remaining unvested LTIP units are expected to vest as follows: 108,421 units during 2021, 108,422 units during 2022 and 26,966 units during 2023. As of June 30, 2020, of the 325,264 LTIP units granted, 81,455 LTIP units have vested.

As of June 30, 2020, the unrecognized compensation cost related to LTIP unit awards was $2.1 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 24 months. We recorded $0.3 million and $0.2 million of compensation expense related to LTIP unit awards for the three months ended June 30, 2020 and 2019, respectively. We recorded $0.5 million and $0.3 million of compensation expense related to LTIP unit awards for the six months ended June 30, 2020 and 2019, respectively.

7. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings (loss) per share is calculated by dividing net income (loss) available to common stockholders that has been adjusted for dilutive securities, by the weighted-average number of common shares outstanding including dilutive securities.

Unvested share-based awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Accordingly, distributed and undistributed earnings attributable to unvested share-based compensation (participating securities) have been excluded, as applicable, from net income or loss available to common stockholders used in the basic and diluted earnings per share calculations.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
Numerator:								
Net (loss) income attributable to common stockholders	$	(72,782)	$	28,960	$	(107,341)	$	37,905
Dividends declared on unvested share-based compensation		—		(35)		—		(70)
Net (loss) income available to common stockholders	$	(72,782)	$	28,925	$	(107,341)	$	37,835
Denominator:								
Weighted-average number of common shares outstanding—basic		200,797,317		202,405,507		201,002,576		202,610,178
Effect of dilutive securities:								
Unvested restricted common stock		—		68,995		—		58,084
Shares related to unvested PSUs		—		426,137		—		438,228
Weighted-average number of common shares outstanding—diluted		200,797,317		202,900,639		201,002,576		203,106,490
Earnings (loss) per share:								
Net (loss) income per share available to common stockholders—basic	$	(0.36)	$	0.14	$	(0.53)	$	0.19
Net (loss) income per share available to common stockholders—diluted	$	(0.36)	$	0.14	$	(0.53)	$	0.19

For the six months ended June 30, 2020, 171,458 of unvested PSUs were excluded from diluted weighted-average common shares outstanding, as their effect would be anti-dilutive.

The common OP units held by the noncontrolling interest holders have been excluded from the denominator of the diluted earnings (loss) per share calculation as there would be no effect on the amounts since the common OP units' share of income or loss would also be added or subtracted to derive net income (loss) available to common stockholders.

8. Debt

The following table sets forth information regarding the Company’s debt as of June 30, 2020 and December 31, 2019 (dollars in thousands):

Loan	Interest Rate as of June 30, 2020	Maturity Date	Principal Balance as of June 30, 2020	Principal Balance as of December 31, 2019
Salt Lake City Marriott Downtown mortgage loan (repaid on June 25, 2020)	4.25%	November 2020	$ —	$ 53,273
Salt Lake City Marriott Downtown mortgage loan	LIBOR + 3.25% (1)	January 2022 (2)	48,000	—
Westin Washington, D.C. City Center mortgage loan	3.99%	January 2023	59,427	60,550
The Lodge at Sonoma, a Renaissance Resort & Spa mortgage loan	3.96%	April 2023	26,675	26,963
Westin San Diego mortgage loan	3.94%	April 2023	61,064	61,851
Courtyard Manhattan / Midtown East mortgage loan	4.40%	August 2024	80,330	81,107
Renaissance Worthington mortgage loan	3.66%	May 2025	80,067	80,904
JW Marriott Denver at Cherry Creek mortgage loan	4.33%	July 2025	60,659	61,253
Westin Boston Waterfront Hotel mortgage loan	4.36%	November 2025	188,804	190,725
New Market Tax Credit loan (3)	5.17%	December 2020	2,943	2,943
Unamortized debt issuance costs			(2,935)	(3,240)
Total mortgage and other debt, net of unamortized debt issuance costs			605,034	616,329
Unsecured term loan	LIBOR + 2.35% (4)	October 2023	50,000	50,000
Unsecured term loan	LIBOR + 2.35% (5)	July 2024	350,000	350,000
Unamortized debt issuance costs			(1,733)	(1,230)
Unsecured term loans, net of unamortized debt issuance costs			398,267	398,770
Senior unsecured credit facility	LIBOR + 2.40% (6)	July 2023 (7)	148,985	75,000
Total debt, net of unamortized debt issuance costs			$ 1,152,286	$ 1,090,099
Weighted-Average Interest Rate	3.80%			

(1) LIBOR is subject to a floor of 1.0%.
(2) The loan may be extended for an additional year upon satisfaction of certain conditions.
(3) Assumed in connection with the acquisition of the Hotel Palomar Phoenix on March 1, 2018.
(4) We are party to an interest rate swap agreement that fixes LIBOR at 2.41% through October 2023.
(5) We are party to an interest rate swap agreement that fixes LIBOR at 1.70% through July 2024 for $175 million of the loan. Effective June 9, 2020, LIBOR is subject to a floor of 0.25%.
(6) Effective June 9, 2020, LIBOR is subject to a floor of 0.25%.
(7) The credit facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions.

Mortgage and Other Debt

We have incurred limited recourse, property specific mortgage debt secured by certain of our hotels. In the event of default, the lender may only foreclose on the secured assets; however, in the event of fraud, misapplication of funds or other customary recourse provisions, the lender may seek payment from us. As of June 30, 2020, eight of our 31 hotels were secured by mortgage debt.

On June 25, 2020, we refinanced our only significant near-term debt maturity by closing on a $48.0 million mortgage loan secured by the Salt Lake City Marriott Downtown. The loan proceeds were used to repay the existing $52.5 million mortgage loan

secured by the Salt Lake City Marriott Downtown that was scheduled to mature in November 2020, with the balance funded by corporate cash on hand. The new loan matures in January 2022 and has an option to extend the maturity to January 2023, subject to the satisfaction of certain conditions. The new loan bears interest at LIBOR plus 3.25%. The LIBOR rate is subject to a floor of 1.0%. The loan requires principal payments of $150 thousand per month, with the remaining principal due at maturity.

Due to the impact of COVID-19, we have requested relief with respect to certain conditions of the loans on our hotels syndicated through commercial mortgage backed security (“CMBS”) pools. With the exception of the mortgage loan secured by the Westin Boston Waterfront Hotel, we have not received any of the requested relief. On July 16, 2020, we entered into an amendment to the mortgage loan secured by the Westin Boston Waterfront Hotel. The amendment allows the Company to use the hotel’s current reserve balance for replacement of furniture and fixtures (“FF&E Reserve”) for the debt service payments due for three months beginning August 2020. Any funds from the FF&E Reserve used for amounts due under the loan are required to be replenished by the Company ratably over a 12-month period ending in June 2022.

Our mortgage debt contains certain property specific covenants and restrictions, including minimum debt service coverage ratios or debt yields that trigger “cash trap” provisions, as well as restrictions on incurring additional debt without lender consent. Such cash trap provisions are triggered when the hotel’s operating results fall below a certain debt service coverage ratio or debt yield. 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 or debt yield is reached and maintained for a certain period of time. Such provisions do not provide the lender the right to accelerate repayment of the underlying debt. As of June 30, 2020, the debt service coverage ratios or debt yields for the Courtyard Manhattan Midtown East, Westin Boston Waterfront Hotel, The Lodge at Sonoma, Westin Washington, D.C. City Center, JW Marriott Denver at Cherry Creek, and Renaissance Worthington were below the minimum thresholds such that the cash trap provision of each respective loan was triggered. We expect that the cash trap provision on the Westin San Diego loan will be triggered as of the third quarter of 2020 due to the continuing negative impact of the COVID-19 pandemic on our hotel operations. We do not expect that such cash traps affect our ability to satisfy our short-term liquidity requirements.

Senior Unsecured Credit Facility and Unsecured Term Loans

We are party to credit agreements (the “Credit Agreements”) that provide for a $400 million senior unsecured credit facility (the “Revolving Credit Facility”), which matures in July 2023, a $350 million unsecured term loan maturing in July 2024 (the “Facility Term Loan”) and a $50 million unsecured term loan maturing in October 2023 (the "2023 Term Loan"). The maturity date for the Revolving Credit Facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions. The interest rate on the Revolving Credit Facility is based upon LIBOR, plus an applicable margin based upon the Company’s leverage ratio, as follows:

	Applicable Margin	
Leverage Ratio	**Revolving Credit Facility**	**Unsecured Term Loans**
Less than 30%	1.40%	1.35%
Greater than or equal to 30% but less than 35%	1.45%	1.40%
Greater than or equal to 35% but less than 40%	1.50%	1.45%
Greater than or equal to 40% but less than 45%	1.55%	1.50%
Greater than or equal to 45% but less than 50%	1.70%	1.65%
Greater than or equal to 50% but less than 55%	1.90%	1.85%
Greater than or equal to 55%	2.05%	2.00%

In addition to the interest payable on amounts outstanding under the Revolving Credit Facility, we are required to pay an amount equal to 0.20% of the unused portion of the Revolving Credit Facility if the average usage is greater than 50% or 0.30% of the unused portion of the Revolving Credit Facility if the average usage is less than or equal to 50%. As of June 30, 2020, we had $149.0 million in borrowings outstanding under the Revolving Credit Facility. We incurred interest and unused fees on the Revolving Credit Facility of $1.8 million and $1.0 million for the three months ended June 30, 2020 and 2019, respectively. We incurred interest and unused fees on the Revolving Credit Facility of $2.5 million and $1.7 million for the six months ended June 30, 2020 and 2019, respectively. We incurred interest on the unsecured term loans of $2.9 million and $3.5 million for the three months ended June 30, 2020 and 2019, respectively. We incurred interest on the unsecured term loans of $6.1 million and $6.9 million for the six months ended June 30, 2020 and 2019, respectively.

On June 9, 2020, we entered into amendments to the Credit Agreements (the “Amended Credit Agreements”). The Amended Credit Agreements waive the quarterly-tested financial covenants from June 9, 2020 through the first quarter of 2021, unless we elect to terminate the waiver on an earlier date (such period between June 9, 2020 and the earlier of such date of termination and the end of the first quarter of 2021, the “Covenant Relief Period”).

During the Covenant Relief Period and until the date we have demonstrated compliance with the financial covenants for the fiscal quarter following the end of the Covenant Relief Period (the “Restriction Period”), (i) the Amended Credit Agreements require that the net cash proceeds from certain incurrences of indebtedness, equity issuances and asset dispositions will, subject to various exceptions, be applied as a mandatory prepayment of the amounts outstanding under the Amended Credit Agreements, (ii) the Amended Credit Agreements impose an additional covenant that we and our subsidiaries maintain minimum liquidity, defined as unrestricted cash plus available capacity on the Revolving Credit Facility, of at least $100.0 million, and (iii) the Amended Credit Agreements impose additional negative covenants that will limit our ability to incur additional indebtedness, pay dividends and distributions (except to the extent required to maintain REIT status), repurchase shares, make prepayments of other indebtedness, make capital expenditures, conduct asset dispositions or transfers and make investments, in each case subject to various exceptions. During the Restriction Period, acquisitions of encumbered hotels are permitted, subject to a $300 million limitation, and acquisitions of unencumbered hotels are permitted subject to a partial repayment of the outstanding balance on the Revolving Credit Facility or funded with junior capital.

Following the end of the Covenant Relief Period, the Amended Credit Agreements modify certain financial covenants until January 1, 2022 or unless we elect to terminate the period on an earlier date (the “Ratio Adjustment Period”), as follows:

- Maximum Leverage Ratio is increased from 60% to 65%;
- Unencumbered Leverage Ratio is increased from 60% to 65%; and
- Unencumbered Implied Debt Service Coverage Ratio may not be less than 1.00 to 1.00 for the first two testing periods in the Ratio Adjustment Period, not less than 1.10 to 1.00 for the third testing period in the Ratio Adjustment Period and not less than 1.20 to 1.00 for all testing periods thereafter.

During the Covenant Relief Period and until the earlier of (i) January 1, 2022 and (ii) the date on which we have demonstrated compliance with the financial covenants, without giving effect to the modifications imposed during the Ratio Adjustment Period for two consecutive quarters following the Covenant Relief Period, the equity interests of certain of our subsidiaries that own unencumbered properties are required to be pledged to secure the obligations owing under the Amended Credit Agreements.

During the Covenant Relief Period and the Ratio Adjustment Period, the Amended Credit Agreements also sets the applicable interest rate to LIBOR plus a margin of 2.40% for the Revolving Credit Facility and LIBOR plus a margin of 2.35% for the Facility Term Loan and 2023 Term Loan. The Amended Credit Agreements also add a LIBOR floor of 0.25% to the variable interest rate calculation.

9. Fair Value Measurements and Interest Rate Swaps

The fair value of certain financial assets and liabilities and other financial instruments as of June 30, 2020 and December 31, 2019, in thousands, is as follows:

	June 30, 2020		December 31, 2019	
	Carrying Amount (1)	Fair Value	Carrying Amount (1)	Fair Value
Debt	$ 1,152,286	$ 1,214,065	$ 1,090,099	$ 1,110,353
Interest rate swap liabilities	$ 14,858	$ 14,858	$ 2,545	$ 2,545

(1) The carrying amount of debt is net of unamortized debt issuance costs.

The fair value of our debt is a Level 2 measurement under the fair value hierarchy (see Note 2). We estimate the fair value of our debt by discounting the future cash flows of each instrument at estimated market rates. The fair value of our interest rate swaps is a Level 2 measurement under the fair value hierarchy. We estimate the fair value of the interest rate swap based on the interest rate yield curve and implied market volatility as inputs and adjusted for the counterparty's credit risk. We concluded the inputs for the credit risk valuation adjustment are Level 3 inputs, however these inputs are not significant to the fair value measurement in its entirety. The carrying value of our other financial instruments approximate fair value due to the short-term nature of these financial instruments.

Interest Rate Swaps

The Company's interest rate derivatives, which are not designated or accounted for as cash flow hedges, consisted of the following as of June 30, 2020 and December 31, 2019, in thousands:

							Fair Value of Assets (Liabilities)	
Hedged Debt	Type	Rate Fixed	Index	Effective Date	Maturity Date	Notional Amount	June 30, 2020	December 31, 2019
$50 million term loan	Swap	2.41%	1-Month LIBOR	January 7, 2019	October 18, 2023	$ 50,000	$ (3,840)	$ (1,597)
$350 million term loan	Swap	1.70%	1-Month LIBOR	July 25, 2019	July 25, 2024	$ 175,000	(11,018)	(948)
							$ (14,858)	$ (2,545)

The fair values of the interest rate swap agreements are included in accounts payable and accrued expenses on the accompanying consolidated balance sheets as of June 30, 2020 and December 31, 2019.

10. Commitments and Contingencies

Litigation

We are subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business, regarding the operation of our hotels and Company matters. While it is not possible to ascertain the ultimate outcome of such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance will not have a material adverse impact on our financial condition or results of operations. The outcome of claims, lawsuits and legal proceedings brought against the Company, however, is subject to significant uncertainties.

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 risks discussed herein and the risk factors discussed from time to time in our periodic filings with the Securities and Exchange Commission, including in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019 as updated by our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. 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.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- *negative changes in the economy, including, but not limited to, a reversal of current job growth trends, an increase in unemployment or a decrease in corporate earnings and investment;*
- *increased competition in the lodging industry and from alternative lodging channels or third party internet intermediaries in the markets in which we own properties;*
- *failure to effectively execute our long-term business strategy and successfully identify and complete acquisitions;*
- *risks and uncertainties affecting hotel renovations and management (including, without limitation, construction delays, increased construction costs, disruption in hotel operations and the risks associated with our franchise agreements);*
- *risks associated with the availability and terms of financing and the use of debt to fund acquisitions and renovations or refinance existing indebtedness, including the impact of higher interest rates on the cost and/or availability of financing;*
- *risks associated with our level of indebtedness and our ability to obtain covenant waivers on our credit agreements for our senior unsecured credit facility and unsecured term loans;*
- *risks associated with the lodging industry overall, including, without limitation, an increase in alternative lodging channels, decreases in the frequency of business travel and increases in operating costs;*
- *risks associated with natural disasters;*
- *the continuing adverse impact of the novel coronavirus (COVID-19) on the U.S., regional and global economies, travel, the hospitality industry, and on our financial condition and results of operations of our hotels;*
- *costs of compliance with government regulations, including, without limitation, the Americans with Disabilities Act;*
- *potential liability for uninsured losses and environmental contamination;*
- *risks associated with security breaches through cyber-attacks or otherwise, as well as other significant disruptions of our information technologies and systems, which support our operations and our hotel managers;*
- *risks associated with our potential failure to qualify as a REIT under the Internal Revenue Code of 1986, as amended;*
- *possible adverse changes in tax and environmental laws; and*
- *risks associated with our dependence on key personnel whose continued service is not guaranteed.*

Overview

DiamondRock Hospitality Company is a lodging-focused Maryland corporation operating as a real estate investment trust (“REIT”). As of June 30, 2020, we owned a portfolio of 31 premium hotels and resorts that contain 10,102 guest rooms located in 21 different markets in North America and the U.S. Virgin Islands. Our hotel in the U.S. Virgin Islands, Frenchman's Reef & Morning Star Beach Resort (“Frenchman's Reef”), remains closed due to damage incurred from Hurricane Irma in September 2017.

As an owner, rather than an operator, of lodging properties, we receive all of the operating profits or losses generated by our hotels after the payment of fees due to hotel managers, which are calculated based on the revenues and profitability of each hotel.

Our strategy is to apply aggressive asset management, conservative leverage, and disciplined capital allocation to high quality lodging properties in North American urban and resort markets with superior growth prospects and high barriers-to-entry. Our goal is to deliver long-term stockholder returns that exceed those generated by our peers through a combination of dividends and enduring capital appreciation.

Our primary business is to acquire, own, asset manage and renovate premium hotel properties in the United States. Our portfolio is concentrated in key gateway cities and destination resort locations. Each of our hotels is managed by a third party— either an independent operator or a brand operator, such as Marriott International, Inc. (“Marriott”).

We critically evaluate each of our hotels to ensure that we own a portfolio of hotels that conforms to our vision, supports our mission and corresponds with our strategy. On a regular basis, we analyze our portfolio to identify opportunities to invest capital in certain projects or market non-core assets for sale in order to increase our portfolio quality. We are committed to a conservative capital structure with prudent leverage. We regularly assess the availability and affordability of capital in order to maximize stockholder value and minimize enterprise risk. In addition, we are committed to following sound corporate governance practices and to being open and transparent in our communications with our stockholders.

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 U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), as well as other financial information that is not prepared in accordance with U.S. 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), Earnings Before Interest, Income Taxes, Depreciation and Amortization for real estate (or EBITDA*re*), and Adjusted EBITDA; and
- Funds From Operations (or FFO) and Adjusted 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 66% of our total revenues for the six months ended June 30, 2020 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 U.S. economic conditions generally, regional and local employment growth, personal income and corporate earnings, office vacancy rates and business relocation decisions, airport and other business and leisure travel, increased use of lodging alternatives, new hotel construction and the pricing strategies of our competitors. In addition, our ADR, occupancy percentage and RevPAR performance is dependent on the continued success of our hotels' global brands.

We also use EBITDA, EBITDA*re*, Adjusted EBITDA, FFO and Adjusted FFO as measures of the financial performance of our business. See “Non-GAAP Financial Measures.”

COVID-19 Pandemic

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The pandemic has reduced travel and adversely affected the hospitality industry in general. We have seen a significant reduction in or elimination of lodging demand generators, including city-wide conferences, sporting and entertainment events, corporate and leisure travel, and overall domestic airlift capacity.

In response to COVID-19, we have taken the following aggressive actions at the property and corporate levels:

- In coordination with our hotel operators, we suspended operations at 20 of our hotels throughout March and April 2020. During the three months ended June 30, 2020, we reopened 12 hotels. Subsequent to June 30, 2020, we reopened three additional hotels and have 25 of our 30 previously operating hotels open as of August 7, 2020.
- We have developed and implemented action plans with our hotel operators to significantly reduce operating costs at each of our hotels.
- We have cultivated alternative demand for our hotels, where possible, including accommodating first responders and quarantined military personnel.
- We have canceled or deferred over 65% of our capital expenditures planned for the remainder of 2020.
- We have paused the rebuild of Frenchman's Reef, which we had expected to open as two separate hotels in late 2020.
- We suspended our quarterly dividend beginning with the dividend that would have been paid in April 2020. We expect to pay a dividend in January 2021 sufficient to cover 100% of our taxable income, if any, for the year ending December 31, 2020.
- We drew down funds on our $400 million senior unsecured credit facility in March 2020 to enhance our liquidity. As of June 30, 2020, we had $251.0 million of borrowing capacity on our the senior unsecured credit facility and $87.8 million of unrestricted cash on hand.
- On June 9, 2020, we executed amendments to the credit agreements for our $400 million senior unsecured credit facility and $400 million of unsecured term loans. The amendments provide for a waiver of the quarterly-tested financial covenants beginning with the second quarter of 2020 through the first quarter of 2021 and certain other modifications to the covenants thereafter through the fourth quarter of 2021.
- On June 25, 2020, we refinanced our only significant near-term debt maturity by closing on a $48.0 million mortgage loan secured by the Salt Lake City Marriott Downtown. The loan proceeds were used to repay the existing $52.5 million mortgage loan secured by the Salt Lake City Marriott Downtown that was scheduled to mature on November 1, 2020. The new loan matures in January 2022 with an option to extend maturity to January 2023, subject to the satisfaction of certain conditions.
- We are exploring possible modifications to existing hotel management and franchise agreements and are currently in discussions with certain hotel managers and franchisors regarding potentially amending or restructuring those agreements to our benefit. Given the early nature of these negotiations, it is unclear what, if any, changes will result from such discussions.

The situation surrounding the COVID-19 pandemic remains fluid. Market demand for lodging at our hotels is closely correlated with reported infection levels near our hotel locations, consumer confidence, and guidance from health officials and federal, state, and local governments.

Demand for our leisure-focused hotels has recovered more quickly than our urban hotels. As demand returns, we will continue to aggressively asset manage our hotels. We continue to carefully assess staffing needs, cleanliness and safety protocols, business mix, and other initiatives. We expect that the COVID-19 pandemic will decrease the pipeline of supply of new hotel rooms within the markets we operate, which will further stabilize RevPAR and profitability.

See also “Risk Factors” in Part II, Item 1A of this report.

Our Hotels

The following tables set forth certain operating information for the six months ended June 30, 2020 for each of our hotels. The table indicates the operating status of each hotel and the occupancy percentage, ADR and RevPAR for each hotel for the portion of the six months ended June 30, 2020 that it was open.

Hotels Open Throughout the Six Months Ended June 30, 2020 (1)

Property	Location	Number of Rooms	Occupancy (%)	ADR ($)	RevPAR($)	% Change from 2019 RevPAR
Salt Lake City Marriott Downtown	Salt Lake City, Utah	510	28.0%	167.49	46.81	(58.3)%
Renaissance Worthington	Fort Worth, Texas	504	34.4%	187.14	64.47	(56.8)%
Westin San Diego	San Diego, California	436	47.3%	182.76	86.53	(44.6)%
Westin Fort Lauderdale Beach Resort	Fort Lauderdale, Florida	433	49.5%	251.18	124.30	(38.2)%
Westin Washington, D.C. City Center	Washington, D.C.	410	31.0%	191.70	59.48	(68.5)%
Marriott Atlanta Alpharetta	Atlanta, Georgia	318	29.1%	167.54	48.74	(60.2)%
Courtyard Manhattan/Midtown East	New York, New York	321	76.2%	154.60	117.86	(46.7)%
Bethesda Marriott Suites	Bethesda, Maryland	272	25.9%	168.34	43.57	(67.7)%
Shorebreak Hotel	Huntington Beach, California	157	55.2%	211.59	116.73	(39.0)%
L'Auberge de Sedona	Sedona, Arizona	88	50.3%	568.53	286.00	(44.1)%
TOTAL/WEIGHTED AVERAGE FOR OPEN HOTELS		3,449	40.7%	200.33	81.47	(52.1)%

Hotels Closed for a Portion of the Six Months Ended June 30, 2020 (1)

Property	Location	Date of Closure	Date of Reopening (2)	Number of Rooms	Occupancy (%)	ADR ($)	RevPAR($)	% Change from 2019 RevPAR
Chicago Marriott Downtown	Chicago, Illinois	4/10/2020	-	1,200	21.5%	$ 164.29	$ 35.30	(76.0)%
Westin Boston Waterfront Hotel	Boston, Massachusetts	3/25/2020	-	793	29.9%	196.96	58.95	(68.1)%
Lexington Hotel New York	New York, New York	3/29/2020	-	725	30.7%	183.27	56.34	(72.3)%
Hilton Boston Downtown	Boston, Massachusetts	3/23/2020	(3)	403	32.8%	191.87	62.99	(75.1)%
Vail Marriott Mountain Resort & Spa	Vail, Colorado	3/20/2020	6/12/2020	344	33.1%	442.11	146.46	(33.2)%
The Gwen Chicago	Chicago, Illinois	3/31/2020	6/10/2020	311	31.8%	193.42	61.51	(68.0)%
Hilton Garden Inn Times Square Central	New York, New York	3/29/2020	-	282	38.5%	154.35	59.40	(73.6)%
Hilton Burlington	Burlington, Vermont	3/31/2020	(4)	258	19.7%	133.81	26.38	(79.2)%
Hotel Palomar Phoenix	Phoenix, Arizona	3/31/2020	6/21/2020	242	37.4%	225.78	84.49	(52.5)%
JW Marriott Denver at Cherry Creek	Denver, Colorado	3/22/2020	6/1/2020	199	31.6%	228.56	72.19	(55.3)%
Courtyard Manhattan/Fifth Avenue	New York, New York	3/27/2020	-	189	30.8%	206.17	63.49	(69.1)%
Barbary Beach House Key West (formerly the Sheraton Suites Key West) (5)	Key West, Florida	3/23/2020	6/1/2020	184	46.6%	315.35	146.87	(41.5)%
The Lodge at Sonoma, a Renaissance Resort & Spa	Sonoma, California	3/21/2020	(6)	182	23.0%	233.39	53.58	(73.1)%
Courtyard Denver Downtown	Denver, Colorado	3/20/2020	6/1/2020	177	26.0%	163.06	42.40	(71.7)%
Renaissance Charleston	Charleston, South Carolina	4/6/2020	5/14/2020	166	40.2%	225.04	90.56	(61.6)%
Cavallo Point, The Lodge at the Golden Gate	Sausalito, California	3/17/2020	6/24/2020	142	23.5%	445.49	104.56	(63.7)%
Havana Cabana Key West	Key West, Florida	3/23/2020	6/1/2020	106	48.7%	271.00	131.99	(37.7)%
Hotel Emblem	San Francisco, California	3/23/2020	6/26/2020	96	33.9%	255.03	86.46	(49.3)%
The Landing Resort & Spa	South Lake Tahoe, California	3/23/2020	6/5/2020	82	33.1%	299.20	99.16	(32.9)%
Orchards Inn Sedona	Sedona, Arizona	3/31/2020	5/15/2020	70	37.2%	209.22	77.91	(62.6)%
TOTAL/WEIGHTED AVERAGE FOR CLOSED HOTELS				6,151	30.0%	219.62	65.88	(65.5)%
TOTAL/WEIGHTED AVERAGE				9,600	33.8%	$ 211.29	$ 71.48	(61.0)%

(1) Frenchman's Reef closed on September 6, 2017 due to Hurricane Irma and remains closed. Accordingly, there is no operating information for the six months ended June 30, 2020.
(2) Reopening dates, if applicable, as of June 30, 2020.
(3) The hotel reopened on July 31, 2020.
(4) The hotel reopened on July 16, 2020.
(5) On June 1, 2020, the hotel converted to an independent hotel, Barbary Beach House Key West.
(6) The hotel reopened on July 1, 2020.

Results of Operations

The comparability of our results of operations for the three and six months ended June 30, 2020 to the three and six months ended June 30, 2019 has been significantly impacted by the effects of the the COVID-19 pandemic. We expect the comparability of our results of operations in future periods of 2020 will be similarly impacted.

Comparison of the Three Months Ended June 30, 2020 to the Three Months Ended June 30, 2019

In response to the COVID-19 pandemic, we suspended operations at 20 of our hotels for all or a portion of the three months ended June 30, 2020. Twelve of these hotels reopened by June 30, 2020. Eight of these hotels remained closed as of June 30, 2020.

Revenue. Revenue consists primarily of the room, food and beverage and other operating revenues from our hotels, as follows (dollars in millions):

	Three Months Ended June 30,		
	2020	2019	% Change
Rooms	$ 13.1	$ 181.6	(92.8)%
Food and beverage	3.0	60.7	(95.1)%
Other	4.3	15.6	(72.4)%
Total revenues	$ 20.4	$ 257.9	(92.1)%

Our total revenues decreased $237.5 million from $257.9 million for the three months ended June 30, 2019 to $20.4 million for the three months ended June 30, 2020.

The following are key hotel operating statistics for the three months ended June 30, 2020 and 2019.

	Three Months Ended June 30,		
	2020	2019	% Change
Occupancy %	8.5%	83.1%	(74.6)%
ADR	$ 175.74	$ 250.23	(29.8)%
RevPAR	$ 14.99	$ 208.02	(92.8)%

Food and beverage revenues decreased $57.7 million from the three months ended June 30, 2019.

Other revenues, which primarily represent spa, parking, resort fees and attrition and cancellation fees, decreased by $11.3 million.

Hotel operating expenses. The operating expenses consisted of the following (dollars in millions):

	Three Months Ended June 30,		
	2020	2019	% Change
Rooms departmental expenses	$ 7.1	$ 42.9	(83.4)%
Food and beverage departmental expenses	4.7	36.5	(87.1)
Other departmental expenses	0.6	3.8	(84.2)
General and administrative	6.4	21.6	(70.4)
Utilities	3.0	4.9	(38.8)
Repairs and maintenance	4.2	8.8	(52.3)
Sales and marketing	4.5	17.2	(73.8)
Franchise fees	0.8	7.2	(88.9)
Base management fees	(0.1)	5.5	(101.8)
Incentive management fees	—	1.8	(100.0)
Property taxes	14.6	14.0	4.3
Other fixed charges	4.6	4.0	15.0
Professional fees and pre-opening costs related to Frenchman's Reef	0.1	3.7	(97.3)
Lease expense	2.8	3.3	(15.2)
Total hotel operating expenses	$ 53.3	$ 175.2	(69.6)%

Our hotel operating expenses decreased $121.9 million from $175.2 million for the three months ended June 30, 2019 to $53.3 million for the three months ended June 30, 2020. For the three months ended June 30, 2020, we accrued $2.9 million of compensation and benefits expense for employees furloughed or laid-off at our properties in connection with the the COVID-19 pandemic, which is included in the general and administrative expenses above.

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 decreased $0.6 million, or 1.9%, from the three months ended June 30, 2019. This is primarily due to the timing of fully depreciated capital expenditures.

Corporate expenses. Corporate expenses principally consist of employee-related costs, including base payroll, bonus, restricted stock and severance. Corporate expenses also include corporate operating costs, professional fees and directors' fees. Our corporate expenses decreased $0.6 million, or 7.8%, from $7.4 million for the three months ended June 30, 2019 to $6.8 million for the three months ended June 30, 2020 primarily due to decreases in employee compensation and other employee-related expenses. We expect corporate expenses to decrease for each of the remaining quarters in 2020 compared with the comparable quarter in 2019.

Interest expense. Our interest expense was $11.6 million and $12.4 million for the three months ended June 30, 2020 and 2019, respectively, and was comprised of the following (in millions):

	Three Months Ended June 30,	
	2020	2019
Mortgage debt interest	$ 6.5	$ 6.6
Unsecured term loan interest	2.9	3.5
Credit facility interest and unused fees	1.8	1.0
Amortization of debt issuance costs and debt premium	0.5	0.5
Capitalized interest	(1.1)	(0.3)
Interest rate swap mark-to-market and net settlements	1.0	1.1
	$ 11.6	$ 12.4

The decrease in interest expense is primarily related to the decrease in unsecured term loan interest and an increase in capitalized interest recognized related to Frenchman's Reef, partially offset by an increase in credit facility interest incurred on the full draw down of our $400 million senior unsecured credit facility in March 2020.

Income taxes. We recorded an income tax benefit of $6.6 million for the three months ended June 30, 2020 and an income tax expense of $4.6 million for the three months ended June 30, 2019. The income tax benefit for the three months ended June 30, 2020 includes $6.7 million of income tax benefit on the $24.6 million pre-tax loss of our domestic TRSs and foreign income tax expense of $0.1 million incurred on the $1.0 million pre-tax income of the TRS that owns Frenchman's Reef. The income tax expense for the three months ended June 30, 2019 includes $4.7 million of income tax expense on the $17.1 million pre-tax income of our domestic TRSs and foreign income tax benefit of $0.1 million incurred on the $3.6 million pre-tax loss of the TRS that owns Frenchman's Reef.

Comparison of the Six Months Ended June 30, 2020 to the Six Months Ended June 30, 2019

In response to the COVID-19 pandemic, we suspended operations at 20 of our hotels for a portion of the six months ended June 30, 2020. Twelve of these hotels reopened by June 30, 2020. Eight of these hotels remained closed as of June 30, 2020.

Revenue. Revenue consists primarily of the room, food and beverage and other operating revenues from our hotels, as follows (dollars in millions):

	Six Months Ended June 30,		
	2020	**2019**	**% Change**
Rooms	$ 124.9	$ 318.3	(60.8)%
Food and beverage	46.9	111.2	(57.8)%
Other	18.6	30.8	(39.6)%
Total revenues	$ 190.4	$ 460.3	(58.6)%

Our total revenues decreased $269.9 million from $460.3 million for the six months ended June 30, 2019 to $190.4 million for the six months ended June 30, 2020.

The following are key hotel operating statistics for the six months ended June 30, 2020 and 2019.

	Six Months Ended June 30,		
	2020	**2019**	**% Change**
Occupancy %	33.8%	78.2%	(44.4)%
ADR	$ 211.29	$ 234.48	(9.9)%
RevPAR	$ 71.48	$ 183.30	(61.0)%

Food and beverage revenues decreased $64.3 million from the six months ended June 30, 2019.

Other revenues, which primarily represent spa, parking, resort fees and attrition and cancellation fees, decreased by $12.2 million.

Hotel operating expenses. The operating expenses consisted of the following (dollars in millions):

	Six Months Ended June 30,		
	2020	2019	% Change
Rooms departmental expenses	$ 42.8	$ 81.7	(47.6)%
Food and beverage departmental expenses	35.8	69.6	(48.6)
Other departmental expenses	4.6	7.6	(39.5)
General and administrative	31.4	41.1	(23.6)
Utilities	7.8	10.1	(22.8)
Repairs and maintenance	12.4	17.3	(28.3)
Sales and marketing	18.6	32.7	(43.1)
Franchise fees	6.6	13.1	(49.6)
Base management fees	3.4	9.9	(65.7)
Incentive management fees	—	2.8	(100.0)
Property taxes	29.2	28.5	2.5
Other fixed charges	8.9	8.0	11.3
Professional fees and pre-opening costs related to Frenchman's Reef	(0.2)	5.1	(103.9)
Lease expense	5.8	6.4	(9.4)
Total hotel operating expenses	$ 207.1	$ 333.9	(38.0)%

Our hotel operating expenses decreased $126.8 million from $333.9 million for the six months ended June 30, 2019 to $207.1 million for the six months ended June 30, 2020.

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 $0.6 million, or 0.9%, from the six months ended June 30, 2019. This is primarily due to capital expenditures from our recent hotel renovations.

Corporate expenses. Corporate expenses principally consist of employee-related costs, including base payroll, bonus, restricted stock and severance. Corporate expenses also include corporate operating costs, professional fees and directors’ fees. Our corporate expenses decreased $2.1 million, or 14.4%, from $14.5 million for the six months ended June 30, 2019 to $12.4 million for the six months ended June 30, 2020 primarily due to decreases in employee compensation and other employee-related expenses. We expect corporate expenses to decrease for the second half of 2020 compared with the comparable period in 2019.

Business interruption insurance income. In September 2017, Hurricane Irma caused significant damage to Frenchman's Reef, which resulted in lost revenue and additional expenses covered under our insurance policies. In December 2019, we settled the insurance claim for Frenchman's Reef. We did not recognize any business interruption insurance income for the six months ended June 30, 2020 and we recognized $8.8 million of business interruption insurance income for the six months ended June 30, 2019 related to the claim for Frenchman's Reef.

Interest expense. Our interest expense was $32.8 million and $24.1 million for the six months ended June 30, 2020 and 2019, respectively, and was comprised of the following (in millions):

	Six Months Ended June 30,	
	2020	2019
Mortgage debt interest	$ 13.0	$ 13.2
Unsecured term loan interest	6.1	6.9
Credit facility interest and unused fees	2.5	1.7
Amortization of debt issuance costs and debt premium	1.0	1.1
Capitalized interest	(2.1)	(0.5)
Interest rate swap mark-to-market and net settlements	12.3	1.7
	$ 32.8	$ 24.1

The increase in interest expense is primarily related to the mark-to-market of our interest rate swaps, partially offset by an increase in capitalized interest recognized related to Frenchman's Reef.

Income taxes. We recorded an income tax benefit of $13.1 million for the six months ended June 30, 2020 and an income tax expense of $0.7 million for the six months ended June 30, 2019. The income tax benefit for the six months ended June 30, 2020 includes $13.4 million of income tax benefit on the $48.7 million pre-tax loss of our domestic TRSs and foreign income tax expense of $0.3 million incurred on the $2.2 million pre-tax income of the TRS that owns Frenchman's Reef. The income tax expense for the six months ended June 30, 2019 includes $0.5 million of income tax expense on the $2.0 million pre-tax income of our domestic TRSs and foreign income tax expense of $0.2 million incurred on the $3.8 million pre-tax income of the TRS that owns Frenchman's Reef.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds necessary to pay our scheduled debt service and operating expenses and capital expenditures directly associated with our hotels. We have suspended our quarterly dividend and expect to pay a dividend in January 2021 sufficient to cover 100% of our taxable income, if any, for the year ending December 31, 2020. We currently expect that our existing cash balances and available capacity on our senior unsecured 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. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt. As of June 30, 2020, the debt service coverage ratios or debt yields for the Courtyard Manhattan Midtown East, Westin Boston Waterfront Hotel, The Lodge at Sonoma, Westin Washington, D.C. City Center, JW Marriott Denver at Cherry Creek, and Renaissance Worthington were below the minimum thresholds such that the cash trap provision of each respective loan was triggered. We expect that the cash trap provision on the Westin San Diego mortgage loan will be triggered as of the third quarter of 2020 due to the continuing negative impact of the COVID-19 pandemic on our hotel operations. We do not expect that such cash traps affect our ability to satisfy our short-term liquidity requirements.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional hotels, renovations, and other capital expenditures that need to be made periodically to our hotels, scheduled debt payments, debt maturities, redemption of limited operating partnership units (“common OP units”) and making distributions to our stockholders. We expect to meet our long-term liquidity requirements through various sources of capital, including cash provided by operations, borrowings, issuances of additional equity, including common OP units, and/or debt securities and proceeds from property dispositions. 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 capital through the issuance of additional equity and/or debt securities is also dependent on a number of factors including the current state of the capital markets, investor sentiment and intended use of proceeds. We may need to raise additional capital if we identify acquisition opportunities that meet our investment objectives and require liquidity in excess of existing cash balances. Our ability to raise funds through the issuance of equity securities depends on, among other things, general market conditions for hotel companies and REITs and market perceptions about our Company.

Our Financing Strategy

Since our formation in 2004, we have been committed to a conservative capital structure with prudent leverage. Our outstanding debt consists of fixed interest rate mortgage debt, unsecured term loans and borrowings on our senior unsecured credit facility. We have a preference to maintain a significant portion of our portfolio as unencumbered assets in order to provide balance sheet flexibility. We expect that our strategy will enable us to maintain a balance sheet with an appropriate amount of debt throughout all phases of the lodging cycle. We believe that it is prudent to reduce the inherent risk of highly cyclical lodging fundamentals through a low leveraged capital structure.

We prefer a relatively simple but efficient capital structure. We generally structure our hotel acquisitions to be straightforward and to fit within our capital structure; however, we will consider a more complex transaction, such as the issuance of common OP units in connection with the acquisition of Cavallo Point, if we believe that the projected returns to our stockholders will significantly exceed the returns that would otherwise be available.

We believe that we maintain a reasonable amount of debt. As of June 30, 2020, we had $1.2 billion of debt outstanding with a weighted average interest rate of 3.80% and a weighted average maturity date of approximately 3.9 years. We have no near-term mortgage debt maturities and 23 of our 31 hotels unencumbered by mortgage debt. We remain committed to our core strategy of prudent leverage.

Information about our financing activities is available in Note 8 to the accompanying consolidated financial statements. Further information is available in Note 1 to the accompanying consolidated financial statements for measures taken in response to the impact of COVID-19.

ATM Program

We have equity distribution agreements, dated August 8, 2018, with a number of sales agents (the “ATM Program”) to issue and sell, from time to time, shares of our common stock, par value $0.01 per share, having an aggregate offering price of up to $200 million (the “ATM Shares”). Sales of the ATM Shares can be made in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an “at the market” offering, which includes sales made directly on the New York Stock Exchange or sales made to or through a market maker other than on an exchange. Actual future sales of the ATM Shares will depend upon a variety of factors, including but not limited to market conditions, the trading price of the Company's common stock and the Company's capital needs. We have no obligation to sell the ATM Shares under the ATM Program. During the three and six months ended June 30, 2020, we sold 135,481 shares of our common stock at an average price of $7.56 per share for proceeds of $1.0 million, net of approximately $10 thousand in fees paid to the applicable sales agent. As of August 7, 2020, shares of common stock having an aggregate offering price of up to $199.0 million remained available for sale under the ATM Program.

Share Repurchase Program

Our board of directors has approved a share repurchase program (the “Share Repurchase Program”) authorizing us to repurchase shares of our common stock having an aggregate price of up to $250 million. Information about our Share Repurchase Program is found in Note 5 to the accompanying consolidated financial statements. During the first quarter of 2020, we repurchased 1,119,438 shares of our common stock at an average price of $8.91 per share for a total purchase price of $10.0 million. These shares were all repurchased prior to March 4, 2020. We retired all repurchased shares on their respective settlement dates. We have suspended share repurchases and, pursuant to our Amended Credit Agreements, as defined below, may not repurchase shares while our financial covenant requirements are waived. As of August 7, 2020, we have $165.2 million of authorized capacity remaining under our Share Repurchase Program.

Short-Term Borrowings

Other than borrowings under our senior unsecured credit facility, discussed below, we do not utilize short-term borrowings to meet liquidity requirements.

Senior Unsecured Credit Facility and Unsecured Term Loans

We are party to a $400 million senior unsecured credit facility expiring in July 2023, a $350 million unsecured term loan maturing in July 2024 and a $50 million unsecured term loan maturing in October 2023. The maturity date for the senior unsecured credit facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions. On June 9, 2020, we executed amendments to the credit agreements ("Amended Credit Agreements") for our $400 million senior unsecured credit facility and $400 million of unsecured term loans. The Amended Credit Agreements provide for a waiver of the quarterly-tested financial covenants beginning with the second quarter of 2020 through the first quarter of 2021 and certain other modifications to the covenants thereafter through the fourth quarter of 2021. Additional information about the Amended Credit Agreements, including the restrictions imposed by the Amended Credit Agreements and their impacts on our liquidity, sources of capital, and ability to incur additional debt, can be found in Note 8 to the accompanying consolidated financial statements. As of June 30, 2020, we had $149.0 million of borrowings outstanding under our senior unsecured credit facility.

Sources and Uses of Cash

Our principal sources of cash are net cash flow from hotel operations, sales of common stock, debt financings and proceeds from hotel dispositions. Our principal uses of cash are acquisitions of hotel properties, debt service and maturities, share repurchases, capital expenditures, operating costs, corporate expenses, and distributions to holders of common stock and units. As of June 30, 2020, we had $87.8 million of unrestricted cash and $36.4 million of restricted cash.

Our net cash used in operations was $20.1 million for the six months ended June 30, 2020. Our cash from operations generally consists of the net cash flow from hotel operations, offset by cash paid for corporate expenses and other working capital changes.

Our net cash used in investing activities was $60.4 million for the six months ended June 30, 2020, which is composed of capital expenditures at our operating hotels of $31.8 million, capital expenditures for the rebuild of Frenchman's Reef of $37.7 million, and $1.6 million of cash paid for the acquisition of the remaining interest in land underlying the Shorebreak Hotel, offset by $10.7 million of proceeds from our property insurance policy related to our hotels impacted by Hurricanes Irma and Maria.

Our net cash provided by financing activities was $25.0 million for the six months ended June 30, 2020, which consisted of $74.0 million in net draws on our senior unsecured credit facility and $48.0 million proceeds of mortgage debt offset by the $52.5 million repayment of mortgage debt from the refinancing of the mortgage loan secured by the Salt Lake City Marriott Downtown, $25.6 million of distributions paid to holders of common stock and units, $10.0 million of share repurchases, $7.1 million of scheduled mortgage debt principal payments, $1.0 million proceeds from the sale of common stock under the ATM Program, $1.4 million paid for financing costs on the Amended Credit Agreements and Salt Lake City Marriott mortgage loan refinancing, $1.2 million paid to repurchase shares upon the vesting of restricted stock for the payment of tax withholding obligations, and $0.2 million paid for the redemption of common OP units.

We do not anticipate that we will receive any meaningful net cash flow from operations at our operating hotels for the remainder of the year ending December 31, 2020. We expect our uses of cash for the remainder of the year ending December 31, 2020 will be regularly scheduled debt service payments, capital expenditures, potential funding of hotel working capital requirements, the distribution of 100% of our taxable income, if any, for the year ended December 31, 2020 to holders of common stock and units, and corporate expenses.

Dividend Policy

We intend to distribute to our stockholders dividends at least equal to our REIT taxable income to avoid paying corporate income tax and excise tax on our earnings (other than the earnings of our TRS, which are all subject to tax at regular corporate rates) and to qualify for the tax benefits afforded to REITs under 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 and excluding net capital gains, 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.

The timing and frequency of distributions will be authorized by our board of directors and declared by us based upon a variety of factors, including our financial performance, restrictions under applicable law and our current and future loan agreements, our debt service requirements, our capital expenditure requirements, the requirements for qualification as a REIT under the Code and other factors that our board of directors may deem relevant from time to time.

We have paid the following dividends to holders of our common stock and distributions to holders of common OP units and LTIP units during 2020 as follows:

Payment Date	Record Date	Dividend per Share
January 13, 2020	January 2, 2020	$ 0.125

Our board of directors suspended the quarterly dividend that would have been paid in April 2020 and July 2020. We expect to pay a dividend in January 2021 sufficient to cover 100% of our taxable income, if any, for the year ending December 31, 2020.

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, fixtures and equipment at our hotels and other routine capital expenditures. 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 June 30, 2020, we have set aside $31.2 million for capital projects in property improvement funds, which are included in restricted cash.

We spent approximately $31.8 million on capital improvements at our operating hotels during the six months ended June 30, 2020. Additionally, we spent approximately $37.7 million on the rebuild of Frenchman's Reef during the six months ended June 30, 2020. In response to the COVID-19 pandemic, we have canceled or deferred a significant portion of the planned capital improvements at our operating hotels. We currently expect to spend approximately $50 million on capital improvements at our operating hotels during 2020. We have paused the rebuild of Frenchman's Reef and currently expect construction to resume in 2021.

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 non-GAAP financial measures that we believe are useful to investors as key measures of our operating performance: EBITDA, EBITDA*re*, Adjusted EBITDA, FFO and Adjusted FFO. These measures should not be considered in isolation or as a substitute for measures of performance in accordance with U.S. GAAP. EBITDA, EBITDA*re*, Adjusted EBITDA, FFO and Adjusted FFO, as calculated by us, may not be comparable to other companies that do not define such terms exactly as the Company.

Use and Limitations of Non-GAAP Financial Measures

Our management and Board of Directors use EBITDA, EBITDA*re*, Adjusted EBITDA, FFO and Adjusted FFO to evaluate the performance of our hotels and to facilitate comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital intensive companies. The use of these non-GAAP financial measures has certain limitations. These non-GAAP financial measures as presented by us, may not be comparable to non-GAAP financial measures as calculated by other real estate companies. These measures do not reflect certain expenses or expenditures that we incurred and will incur, such as depreciation, interest and capital expenditures. We compensate for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our reconciliations to the most comparable U.S. GAAP financial measures, and our consolidated statements of operations and cash flows, include interest expense, capital expenditures, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with U.S. GAAP. They should not be considered as alternatives to operating profit, cash flow from operations, or any other operating performance measure prescribed by U.S. GAAP. These non-GAAP financial measures reflect additional ways of viewing our operations that we believe, when viewed with our U.S. GAAP results and the reconciliations to the corresponding U.S. GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure.

EBITDA, EBITDA*re *and FFO

EBITDA represents net income (calculated in accordance with U.S. GAAP) excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sale of assets; and (3) depreciation and amortization. The Company computes EBITDA*re* in accordance with the National Association of Real Estate Investment Trusts (“Nareit”) guidelines, as defined in its September 2017 white paper “Earnings Before Interest, Taxes, Depreciation and Amortization for Real Estate.” EBITDA*re* represents net income (calculated in accordance with U.S. GAAP) adjusted for: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sale of assets; (3) depreciation and amortization; (4) gains or losses on the disposition of depreciated property, including gains or losses on change of control; (5) impairment write-downs of depreciated property and of investments in unconsolidated affiliates caused by a decrease in value of depreciated property in the affiliate; and (6) adjustments to reflect the entity's share of EBITDA*re* of unconsolidated affiliates.

We believe EBITDA and EBITDA*re* are useful to an investor in evaluating our operating performance because they help 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, and in the case of EBITDA*re*, impairment and gains or losses on dispositions of depreciated property) from our operating results. In addition, covenants included in our debt

agreements use EBITDA as a measure of financial compliance. We also use EBITDA and EBITDA*re* as measures in determining the value of hotel acquisitions and dispositions.

The Company computes FFO in accordance with standards established by the Nareit, which defines FFO as net income determined in accordance with U.S. GAAP, excluding gains or losses from sales of properties and impairment losses, plus real estate related depreciation and amortization. The Company believes that the presentation of FFO provides useful information to investors regarding its operating performance because it is a measure of the Company's operations without regard to specified non-cash items, such as real estate related depreciation and amortization and gains or losses on the sale of assets. The Company also uses FFO as one measure in assessing its operating results.

Adjustments to EBITDAre and FFO

We adjust EBITDA*re* and FFO when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted EBITDA and Adjusted FFO, when combined with U.S. GAAP net income, EBITDA*re* and FFO, is beneficial to an investor's complete understanding of our consolidated operating performance. We adjust EBITDA*re* and FFO for the following items:

- *Non-Cash Lease Expense and Other Amortization*: We exclude the non-cash expense incurred from the straight line recognition of expense from our ground leases and other contractual obligations and the non-cash amortization of our favorable and unfavorable contracts, originally recorded in conjunction with certain hotel acquisitions. We exclude these non-cash items because they do not reflect the actual cash amounts due to the respective lessors in the current period and they are of lesser significance in evaluating our actual performance for that period.
- *Cumulative Effect of a Change in Accounting Principle*: The Financial Accounting Standards Board promulgates new accounting standards that require or permit the consolidated statement of operations to reflect the cumulative effect of a change in accounting principle. We exclude the effect of these adjustments, which include the accounting impact from prior periods, because they do not reflect the Company’s actual underlying performance for the current period.
- *Gains or Losses from Early Extinguishment of Debt*: We exclude the effect of gains or losses recorded on the early extinguishment of debt because these gains or losses result from transaction activity related to the Company’s capital structure that we believe are not indicative of the ongoing operating performance of the Company or our hotels.
- *Hotel Acquisition Costs*: We exclude hotel acquisition costs expensed during the period because we believe these transaction costs are not reflective of the ongoing performance of the Company or our hotels.
- *Severance Costs*: We exclude corporate severance costs, or reversals thereof, incurred with the termination of corporate-level employees and severance costs incurred at our hotels related to lease terminations or structured severance programs because we believe these costs do not reflect the ongoing performance of the Company or our hotels.
- *Hotel Manager Transition Items*: We exclude the transition items associated with a change in hotel manager because we believe these items do not reflect the ongoing performance of the Company or our hotels.
- *Other Items*: From time to time we incur costs or realize gains that we consider outside the ordinary course of business and that we do not believe reflect the ongoing performance of the Company or our hotels. Such items may include, but are not limited to the following: pre-opening costs incurred with newly developed hotels; lease preparation costs incurred to prepare vacant space for marketing; management or franchise contract termination fees; gains or losses from legal settlements; costs incurred related to natural disasters; and gains on property insurance claim settlements, other than income related to business interruption insurance.

In addition, to derive Adjusted FFO we exclude any unrealized fair value adjustments to derivative instruments. We exclude these non-cash amounts because they do not reflect the underlying performance of the Company.

The following table is a reconciliation of our U.S. GAAP net income to EBITDA, EBITDA*re* and Adjusted EBITDA (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income	$ (73,387)	$ 29,074	$ (108,079)	$ 38,054
Interest expense	11,629	12,418	32,847	24,080
Income tax (benefit) expense	(6,615)	4,571	(13,058)	722
Real estate related depreciation and amortization	28,783	29,335	58,883	58,331
EBITDA / EBITDA*re*	(39,590)	75,398	(29,407)	121,187
Non-cash lease expense and other amortization	1,708	1,784	3,458	3,499
Professional fees and pre-opening costs related to Frenchman's Reef (1)	122	3,700	(175)	5,067
Hotel manager transition costs (2)	334	171	561	468
Severance costs (3)	393	—	393	—
Adjusted EBITDA	$ (37,033)	$ 81,053	$ (25,170)	$ 130,221

(1) Represents pre-opening costs related to the reopening of Frenchman's Reef, as well as legal and professional fees and other costs incurred at Frenchman's Reef as a result of Hurricane Irma that are not covered by insurance.

(2) Three months ended June 30, 2020 consists of manager transition costs of $0.3 million related to the Westin Boston Waterfront Hotel. Six months ended June 30, 2020 consists of manager transition costs of $1.1 million related to the L'Auberge de Sedona, Orchards Inn Sedona and the Westin Boston Waterfront Hotel and a downward adjustment of $0.6 million to the termination fees for the Sheraton Suites Key West franchise agreement. Three months ended June 30, 2019 consist of (a) $0.1 million of pre-opening costs related to the reopening of the Hotel Emblem and (b) $0.1 million of manager transition costs related to the Westin Washington, D.C. City Center. Six months ended June 30, 2019 consists of (a) $0.4 million of pre-opening costs related to the reopening of the Hotel Emblem and (b) $0.1 million of manager transition costs related to the Westin Washington, D.C. City Center.

(3) Three and six months ended June 30, 2020 consists of severance costs incurred with the elimination of positions at our hotels, which are classified within other hotel expenses on the consolidated statement of operations.

The following table is a reconciliation of our U.S. GAAP net income to FFO and Adjusted FFO (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income	$ (73,387)	$ 29,074	$ (108,079)	$ 38,054
Real estate related depreciation and amortization	28,783	29,335	58,883	58,331
FFO	(44,604)	58,409	(49,196)	96,385
Non-cash lease expense and other amortization	1,708	1,784	3,458	3,499
Professional fees and pre-opening costs related to Frenchman's Reef (1)	122	3,700	(175)	5,067
Hotel manager transition costs (2)	334	171	561	468
Severance costs (3)	393	—	393	—
Fair value adjustments to interest rate swaps	1,000	1,075	12,312	1,647
Adjusted FFO	$ (41,047)	$ 65,139	$ (32,647)	$ 107,066

(1) Represents pre-opening costs related to the reopening of Frenchman's Reef, as well as legal and professional fees and other costs incurred at Frenchman's Reef as a result of Hurricane Irma that are not covered by insurance.

(2) Three months ended June 30, 2020 consists of manager transition costs of $0.3 million related to the Westin Boston Waterfront Hotel. Six months ended June 30, 2020 consists of manager transition costs of $1.1 million related to the L'Auberge de Sedona, Orchards Inn Sedona and the Westin Boston Waterfront Hotel and a downward adjustment of $0.6 million to the termination fees for the Sheraton Suites Key West franchise agreement. Three months ended June 30, 2019 consist of (a) $0.1 million of pre-opening costs related to the reopening of the Hotel Emblem and (b) $0.1 million of manager transition costs related to the Westin Washington, D.C. City Center. Six months ended June 30, 2019 consists of (a) $0.4 million of pre-opening costs related to the reopening of the Hotel Emblem and (b) $0.1 million of manager transition costs related to the Westin Washington, D.C. City Center.

(3) Three and six months ended June 30, 2020 consists of severance costs incurred with the elimination of positions at our hotels, which are classified within other hotel expenses on the consolidated statement of operations.

Critical Accounting Policies

Our unaudited consolidated financial statements have been prepared in conformity with U.S. GAAP, which 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 that 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 from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

Investment in Hotels

Acquired hotels, land improvements, building and furniture, fixtures and equipment and identifiable intangible assets that are generally accounted for as asset acquisitions are recorded at total cost and allocated based on relative fair value. Direct acquisition-related costs are capitalized as a component of the acquired assets. 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 5 to 40 years for buildings, land improvements, and building improvements and 1 to 10 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 enter into a hotel management agreement at the time of acquisition and such agreements are generally based on market terms. 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 our 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, current or projected losses from operations, and an expectation that the property is more likely than not to be sold significantly before the end of its useful life. Management performs an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the ultimate disposition of a hotel, less costs to sell, exceed the its 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 related hotels' estimated fair market value is recorded and an impairment loss is recognized.

While our hotels have experienced improvement in certain key operating measures as the general economic conditions improve, the operating performance at certain of our hotels has not achieved our expected levels. As part of our overall capital allocation strategy, we assess underperforming hotels for possible disposition, which could result in a reduction in the carrying values of these properties.

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 periods during which our hotels experience higher revenues vary from property to property, depending principally upon location and the customer base served. Accordingly, we expect some seasonality in our business. Volatility in our financial performance from the seasonality of the lodging industry could adversely affect our financial condition and results of operations.

New Accounting Pronouncements Not Yet Implemented

None.

Item 3. Quantitative and Qualitative Disclosures 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. The face amount of our outstanding debt as of June 30, 2020 was $1.2 billion, of which $372 million was variable rate. If market rates of interest on our variable rate debt fluctuate by 100 basis points, interest expense would increase or decrease, depending on rate movement, future earnings and cash flows, by $3.7 million annually.

We entered into (i) an interest rate swap agreement in 2019 to fix LIBOR at 2.41% through maturity for our $50 million unsecured term loan and (ii) an interest rate swap agreement in 2019 to fix LIBOR at 1.70% through maturity for $175 million of our $350 million unsecured term loan. Information about our unsecured term loans and interest rate swap agreements can be found in Note 8 to the accompanying consolidated financial statements.

In July 2017, the Financial Conduct Authority ("FCA") announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to USD-LIBOR. The Company is not able to predict when LIBOR will cease to be published or precisely how SOFR will be calculated and published. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

The Company has contracts that are indexed to LIBOR and is monitoring and evaluating the related risks, which include interest amounts on our variable rate debt and the swap rate for our interest rate swaps as discussed in Note 8 to the accompanying consolidated financial statements. In the event that LIBOR is discontinued, the interest rates will be based on a fallback reference rate specified in the applicable documentation governing such debt or swaps or as otherwise agreed upon. Such an event would not affect the Company's ability to borrow or maintain already outstanding borrowings or swaps, but the alternative reference rate could be higher and more volatile than LIBOR.

Certain risks arise in connection with transitioning contracts to an alternative reference rate, including any resulting value transfer that may occur. The value of loans, securities, or derivative instruments tied to LIBOR could also be impacted if LIBOR is limited or discontinued. For some instruments, the method of transitioning to an alternative rate may be challenging, as they may require substantial negotiation with each respective counterparty.

If a contract is not transitioned to an alternative reference rate and LIBOR is discontinued, the impact is likely to vary by contract. If LIBOR is discontinued or if the method of calculating LIBOR changes from its current form, interest rates on our current or future indebtedness may be adversely affected.

While we expect LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified.

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 Commission's 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. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business, regarding the operation of our hotels and company matters. While it is not possible to ascertain the ultimate outcome of such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance will not have a material adverse impact on our financial condition or results of operations. The outcome of claims, lawsuits and legal proceedings brought against the Company, however, is subject to significant uncertainties.

Item 1A. Risk Factors

The following risk factor supplements the risk factors described under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, and should be read in conjunction with the other risk factors presented in the Annual Report on Form 10-K.

The outbreak of the novel coronavirus (COVID-19) has caused, and could continue to cause, severe disruptions in the U.S., regional and global economies, travel and the hospitality industry and could materially and adversely impact our financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. COVID-19 has caused, and could continue to cause, widespread disruptions to the United States and global economy and has contributed to significant volatility and negative pressure in financial markets. The global impact of the outbreak is continually evolving, and many countries, including the United States, have reacted by instituting quarantines, restrictions on travel and/or mandatory closures of businesses. Certain states and cities, including where ours hotels are located, have also reacted by instituting quarantines, restrictions on travel, “shelter in place” rules, restrictions on types of business that may continue to operate, and/or restrictions on the types of construction projects that may continue.

The extent to which COVID-19 impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of such pandemic, the actions taken to contain the pandemic or mitigate its impact, as well as the effect of any relaxation of current restrictions, all of which could vary by the geographic region in which our hotels are located, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation precludes any prediction as to the full adverse impact of COVID-19. Nevertheless, COVID-19 has adversely affected, and may continue to adversely affect, our business, financial condition and results of operations, and our ability to pay dividends, and it may also have the effect of heightening many of the risks described below and in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2019, including:

- a complete or partial closure or re-closure of, or other operational issues or limitations at, one or more of our hotels resulting from government, third-party hotel manager or franchisor action, which could adversely affect our operations;

- the postponement or cancellation of conventions, festivals, sporting events and other public events that would have otherwise brought individuals to the cities in which our hotels are located, which has caused, and could continue to cause, a decrease in occupancy rates over a prolonged period of time and exacerbate the seasonal volatility at our hotels;

- a general decline of in-person business meetings and an increase in the use of teleconferencing and video-conference technology, which could cause a sustained shift away from business-related travel and have an adverse effect on the overall demand of hotel rooms;

- a decrease in individuals’ willingness to travel once our hotels are reopened as a result of the public health risks and social impacts of such outbreak or a decrease in consumer spending, which could affect the ability of our hotels to generate sufficient revenues to meet operating and other expenses in the short- and long-term;

- reduced economic activity impacting the businesses, financial condition and liquidity of our company or that of our third-party hotel managers or franchisors, which could result in us, the third-party hotel manager or the franchisor

being unable to comply with operational and performance conditions under the applicable management and franchise agreements;

- reduced economic activity impacting the businesses, financial condition and liquidity of our retail and restaurant tenants located at our hotels, which could cause one or more of such tenants to be unable to meet their obligations to us in full, or at all, to otherwise seek modifications of such obligations or to declare bankruptcy;

- severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions, which could make it difficult for us to access debt and equity capital on attractive terms, or at all, and impact our ability to fund business activities and repay debt on a timely basis;

- the potential inability of our Company to comply with financial covenants under our senior unsecured credit facility, unsecured term loans and other debt agreements, or the inability of the Company to renegotiate such covenants, which could result in a default and potential acceleration of indebtedness and impact our ability to make additional borrowings under our senior unsecured credit facility or otherwise in the future;

- the potential lack of funding, disruptions in the supply of materials or products or the inability of contractors to perform on a timely basis or at all, which could cause delays in completing ongoing or future hotel renovations and capital improvements at our hotels, including the planned reconstruction of Frenchman's Reef & Morning Star Beach Resort;

- difficulties in sourcing and transporting materials or products necessary to operate our hotels, such as linens or cleaning supplies, and a decrease in the availability of adequate staffing at our hotels, which could impact our ability to provide our guests with the customary level of service provided at our hotels, including our premium full-service hotels;

- the potential inability of our TRS lessees to renew or enter into new management agreements for our hotels on favorable terms, or at all, which could cause interruptions in the operations at certain hotels;

- a general decline in business activity and demand for real estate transactions, and more specifically, the demand for hotel properties, which could adversely affect our ability or desire to make strategic acquisitions or dispositions;

- the potential negative impact on the health of our personnel, particularly if a significant number of our senior executive officers are impacted, which could result in a deterioration in our ability to ensure business continuity during a disruption;

- the limited access to our facilities, management, franchisors, support staff and professional advisors, which could decrease the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, increase our susceptibility to security breaches, or hamper our ability to comply with regulatory obligations and lead to reputational harm and regulatory issues or fines;

- increased operating costs at our hotels due to enhanced cleaning and hygiene protocols required or recommended by major hotel brands, the Centers for Disease Control and Prevention, unions and state and local governments; and

- increased labor costs due to demands for higher wages due to health risks associated with working in hotels and requirements for more staff to implement cleaning protocols.

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

Issuer Purchases of Equity Securities

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Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) [(1)]
April 1 - April 30, 2020	—	$ —	—	$ 165,179
May 1 - May 31, 2020	—	$ —	—	$ 165,179
June 1 - June 30, 2020	—	$ —	—	$ 165,179

(1) Represents amounts available under the Company's $250 million share repurchase program announced by the Company on November 5, 2018 (the “Share Repurchase Program”). To facilitate repurchases, we make purchases pursuant to a trading plan under Rule 10b5-1 of the Exchange Act, which allows us to repurchase shares during periods when we otherwise may be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. The Share Repurchase Program may be suspended or terminated at any time without prior notice. The Share Repurchase Program will be effective until November 6, 2020.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) *Exhibits*

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

Exhibit	
10.1	First Amendment to Fifth Amended and Restated Credit Agreement *(incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 10, 2020)*
10.2*	Consent Letter, dated August 4, 2020, under Fifth Amended and Restated Credit Agreement
31.1*	Certification of Chief Executive Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
31.2*	Certification of Chief Financial Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

* Filed herewith

** Furnished herewith

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SIGNATURES

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

August 7, 2020

/s/ Jeffrey J. Donnelly

Jeffrey J. Donnelly
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Briony R. Quinn

Briony R. Quinn
Senior Vice President and Treasurer
(Principal Accounting Officer)

August 4, 2020

Wells Fargo Bank, National Association
1750 H Street, NW, #550
Washington, D.C. 20006
Attention: Mark F. Monahan

Re: Conditional Consent Letter

To Whom It May Concern:

Reference is made to that certain Fifth Amended and Restated Credit Agreement, dated as of July 25, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP, a limited partnership formed under the laws of the State of Delaware (the "Borrower"), DIAMONDROCK HOSPITALITY COMPANY, a corporation formed under the laws of the State of Maryland ("Parent"), certain Persons party thereto from time to time as Loan Parties, the financial institutions party thereto from time to time ("Lenders") and Wells Fargo Bank, National Association, as Administrative Agent (the "Administrative Agent"). Capitalized terms used herein but not defined herein shall have the respective defined meanings as set forth in the Credit Agreement.

The Borrower has informed the Administrative Agent that the Parent has agreed to, from time to time, issue and sell through Deutsche Bank Securities Inc., BofA Securities, Inc. (an assignee of Merrill Lynch, Pierce, Fenner & Smith Incorporated), Robert W. Baird & Co. Incorporated and Wells Fargo Securities, LLC (each, a "Sales Agent") shares of Parent's common stock, having an aggregate offering price of up to $200,000,000 (the "ATM Offering"), pursuant to the terms of those certain Distribution Agreements, dated as of August 8, 2018, by and among Parent, the Borrower and each of the Sales Agents.

The Borrower has requested that, pursuant to Section 2.8(b)(v) of the Credit Agreement and solely with respect to the proceeds of the ATM Offering, the Administrative Agent and the Requisite Lenders consent to a modification of Section 2.8(b)(iii) of the Credit Agreement which requires that the cash proceeds of the ATM Offering are applied to prepay the Term Loans, prepay the Revolving Loans and Swingline Loans and Cash Collateralize the Letter of Credit Liabilities and prepay the Existing Term Loan within three (3) Business Days of the Parent's receipt thereof.

By executing this Conditional Consent Letter and in reliance on the terms set forth herein, the Administrative Agent and the Requisite Lenders hereby agree that, notwithstanding Section 2.8(b)(iii) of the Credit Agreement, the cash proceeds received by the Parent from an Equity Issuance made in connection with the ATM Offering are not required to be paid within three (3) Business Days of the Parent's receipt thereof but shall be prepaid in accordance with Section 2.8 of the Credit Agreement no later than the earlier to occur of (i) the date upon which the aggregate amount of all such ATM Offering cash proceeds which have not been prepaid in accordance with Section 2.8 of the Credit Agreement, is equal to or exceeds $10,000,000 and (ii) twenty (20) Business Days following receipt by the Parent of such cash proceeds; provided that such agreement is conditioned on receipt by the Administrative Agent of evidence demonstrating that each of U.S. Bank National Association, in its capacity as administrative agent under the Existing Term Loan Agreement (the "Term Loan Agent") and the "Requisite Lenders" under, and as defined in, the Existing Term Loan Agreement (the "Term Loan Requisite Lenders"), shall have also consented to such request. The Administrative Agent and the Requisite Lenders hereby also consent to the request made by the Borrower to the Term Loan Agent and the Term Loan Requisite Lenders to modify the same requirement described in the immediately preceding paragraph set forth in Section 2.5(b)(ii) of the Existing Term Loan Agreement, provided that such modification is upon substantially the same terms and conditions set forth in this Conditional Consent Letter.

The Borrower and the Parent hereby represent and warrant to Administrative Agent and Lenders that: (i) the representations and warranties made or deemed made by the Parent, the Borrower and each other Loan Party in the Loan Documents to which any of them is a party, are true and correct in all material respects (or, to the extent qualified by materiality or Material Adverse Effect, in all respects) on and as of the date hereof (except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (or, to the extent qualified by materiality or Material Adverse Effect, in all respects) on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents; provided that, with respect to the representation set forth in the first sentence of Section 7.1(l), any event or circumstance resulting from the COVID-19 pandemic as described in the 10-Q publicly filed by the Parent on May 11, 2020 and as subsequently publicly disclosed by the Parent in its securities filings prior to the date of this Conditional Consent Letter shall be excluded and (ii) no Default or Event of Default has occurred and is continuing.

The foregoing conditional consents shall be limited precisely as written and shall not be deemed or otherwise construed to constitute the consent to or a waiver of any other provision of the Credit Agreement or hinder, restrict or otherwise modify the rights, privileges, powers and remedies of the Lenders or the Administrative Agent may now have or may have in the future under or in connection with the Credit Agreement or any other Loan Document, all of which rights, privileges, powers and remedies are hereby expressly reserved by the Administrative Agent and the Lenders.

Except for the conditional consent expressly set forth herein, the Credit Agreement and each of the other Loan Documents, including the conditions and covenants set forth therein, shall remain unchanged and in full force and effect. Nothing in this Conditional Consent Letter shall be deemed to permanently modify the provisions of the Credit Agreement or any other Loan Document through course of conduct, course of dealing or otherwise, except with respect to the conditional consent expressly set forth herein.

This Conditional Consent Letter shall not become effective until signed by the Administrative Agent and the Required Lenders and accepted and agreed to in writing by the Borrower and Parent. This Conditional Consent Letter is a Loan Document and contains the complete and entire understanding of the parties with respect to the subject matters hereof.

This Conditional Consent Letter may be executed in counterparts and shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed, and to be fully performed, in such state.

[Signatures on following page]

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Lender

By: /s/ Mark F. Monahan
Name: Mark F. Monahan
Title: Senior Vice President

[Signatures Continued on Next Page]

BANK OF AMERICA, N.A., as a Lender

By: /s/ Suzanne E. Pickett
Name: Suzanne E. Pickett
Title: Senior Vice President

[Signatures Continued on Next Page]

CITIBANK, N.A., as a Lender

By: /s/ Chris Albano
Name: Chris Albano
Title: Authorized Signatory

[Signatures Continued on Next Page]

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Timothy J. Tillman
Name: Timothy J. Tillman
Title: Senior Vice President

[Signatures Continued on Next Page]

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Jim Komperda
Name: Jim Komperda
Title: Senior Vice President

[Signatures Continued on Next Page]

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ William R. Lynch III
Name: William R. Lynch III
Title: Senior Vice President

[Signatures Continued on Next Page]

REGIONS BANK, as a Lender

By: /s/ Ghi S. Gavin
Name: Ghi S. Gavin
Title: Senior Vice President

T.D. BANK, N.A., as a Lender

By: /s/ James M. Cupelli
Name: James M. Cupelli
Title: Vice President

BMO HARRIS BANK, N.A., as a Lender

By: /s/ Gwendolyn Gatz
Name: Gwendolyn Gatz
Title: Director

[Signatures Continued on Next Page]

BARCLAYS BANK PLC, as a Lender

By: /s/ May Huang
Name: May Huang
Title: Assistant Vice President

[Signatures Continued on Next Page]

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ Annie Chung
Name: Annie Chung
Title: Director

By: /s/ Ming K Chu
Name: Ming K Chu
Title: Director

TRUIST BANK, as a Lender

By: /s/ Karen Cadiente
Name: Karen Cadiente
Title: Assistant Vice President

Accepted and Agreed:

BORROWER:

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP

By: DiamondRock Hospitality Company, its sole General Partner

By: /s/ Jeff Donnelly
Name: Jeff Donnelly
Title: Executive Vice President and Chief Financial Officer

PARENT:

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ Jeff Donnelly
Name: Jeff Donnelly
Title: Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) and Rule 15d-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: August 7, 2020

/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) and Rule 15d-14(a)

I, Jeffrey J. Donnelly, 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: August 7, 2020

/s/ Jeffrey J. Donnelly
Jeffrey J. Donnelly
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification
Pursuant to 18 U.S.C. Section 1350

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/ Jeffrey J. Donnelly
Mark W. Brugger	Jeffrey J. Donnelly
Chief Executive Officer	Executive Vice President and Chief Financial Officer
August 7, 2020	August 7, 2020