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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 11, 2006

DIAMONDROCK HOSPITALITY COMPANY

(Exact name of registrant as specified in charter)

Maryland

001-32514

20-1180098

(State or Other Jurisdiction
of Incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

6903 Rockledge Drive, Suite 800
Bethesda, MD 20817

(Address of Principal Executive Offices) (Zip Code)

(240) 744-1150

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

An affiliate of DiamondRock Hospitality Company ("DiamondRock") signed a purchase agreement (the "Agreement") to acquire the Conrad Hotel, located at 520 N. Michigan Avenue in Chicago Illinois (the "Chicago Conrad") for a purchase price of \$117.5 million, at the time of signing the Agreement DiamondRock made a refundable \$10 million deposit. That Agreement was subject to a material due diligence related condition precedent which was satisfied on August 11, 2006. As a result, on August 11, 2006, the Agreement became a commitment enforceable against DiamondRock and our \$10 million deposit became non-refundable. The acquisition is scheduled to close towards the end of 2006.

We cannot assure you that we will acquire the Chicago Conrad because the proposed acquisition is subject to a variety of factors.

The foregoing summary of our acquisition of the Chicago Conrad is qualified in its entirety by the full terms and conditions of the Purchase Agreement, as of July 29, 2006, by and among LCP-WB Chicago Operator, LLC, and DiamondRock Hospitality Limited Partnership, a copy of which is filed as Exhibit 10.1 to the Form 8-K and is incorporated herein by reference.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

See Index to Exhibits attached hereto.

SIGNATURE

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

DIAMONDROCK HOSPITALITY COMPANY

Date: August 11, 2006

By: /s/ Michael D. Schechter

Michael D. Schechter
General Counsel and Secretary

EXHIBIT INDEX

Exhibit No.	Description
10.1	Purchase Agreement, dated as of July 29, 2006, by and among LCP-WB Chicago Operator, LLC, and DiamondRock Hospitality Limited Partnership
99.1	Press Release dated August 11, 2006

PURCHASE AGREEMENT

by and between

LCP-WB CHICAGO OPERATOR, LLC,

a Delaware limited liability company ("Seller"),

and

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP,

a Delaware limited partnership ("Buyer")

Dated: July ____, 2006

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PURCHASE AGREEMENT

THIS AGREEMENT (this "Agreement") is made and entered into as of the ___ day of July, 2006, by and between LCP-WB CHICAGO OPERATOR, LLC, a Delaware limited liability company ("Seller"), and DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP, a Delaware limited partnership ("Buyer").

RECITALS

A. Seller is the owner of that certain hotel commonly known as the Conrad Hotel (the "Hotel"), located at 520 N. Michigan Avenue, Chicago in Cook County, Illinois.

B. Buyer desires to purchase the Hotel on the terms and conditions hereinafter documented.

NOW, THEREFORE, in consideration of the mutual undertakings of the parties hereto, it is hereby agreed as follows:

1. Certain Defined Terms. As used herein:

- a. "Purchase Price" shall mean \$117,500,000.
- b. "Initial Deposit" shall mean Five Million Dollars (\$5,000,000).
- c. "Additional Deposit" shall mean Five Million Dollars (\$5,000,000).

2. Purchase and Sale. Upon the terms and conditions hereinafter set

forth, Seller shall sell to Buyer, and Buyer shall purchase from Seller, the "Property" (as hereinafter defined). As used herein, the "Property" means all right, title and interest of Seller in and to (a) the land (the "Land") described in Exhibit "A", together with all easements, interests in roadways, strips and other rights appurtenant to the Land including, without limitation, the agreements listed in Schedule 1 attached hereto (the "Property Agreements"), (b) all improvements, structures and fixtures located upon the Land (collectively, the "Improvements"), (c) all furniture, fixtures, equipment, machinery, and appliances, linens, supplies, food and beverage inventories, and other items of tangible personal property located on the Land or used or held in storage for future use in connection with the Hotel (collectively, the "Tangible Personal Property"), (d) all "Leases" (as hereinafter defined) and (e) to the extent assignable, all "Service Agreements" (as hereinafter defined), governmental permits, licenses and approvals, warranties and guarantees that Seller has received in connection with any work or services performed with respect to, or equipment installed in, the Improvements directly relating to the Hotel (collectively, the "Intangible Property").

3. Payment of Purchase Price. The Purchase Price shall be paid to

Seller by Buyer as follows:

3.1 Escrow Deposit. Concurrently with the execution and

delivery of this Agreement by both Seller and Buyer, Buyer shall deliver the Initial Deposit to First American Title Insurance Company, at its offices at 30 N. LaSalle Street, Suite 310, Chicago, IL 60602 (which company, in its capacity as escrow holder hereunder, is called "Escrow Holder"). If this Agreement is not terminated under Section 4.2.2, then Buyer shall deliver the Additional Deposit to Escrow Holder on July 28, 2006. If such Additional Deposit is not timely delivered, then Seller may terminate this Agreement, in which event the Initial Deposit and all interest thereon shall be immediately delivered to Seller as liquidated damages in accordance with Section 9.2. The Initial Deposit and, if delivered, the Additional Deposit together with all interest earned thereon, are collectively herein called the "Escrow Deposit". The Escrow Deposit shall be delivered to Escrow Holder by wire transfer of immediately available federal funds or by bank or cashier's check drawn on a national bank reasonably satisfactory to Seller. The Escrow Deposit shall be held by Escrow Holder as a deposit against the Purchase Price in accordance with the terms and provisions of this Agreement. At all times that the Escrow Deposit is being held by the Escrow Holder, the Escrow Deposit shall be invested by Escrow Holder in the following investments ("Approved Investments"): (i) United States Treasury obligations, (ii) United States Treasury backed repurchase agreements issued by a major money center banking institution reasonably acceptable to Seller and Buyer, (iii) the Bank of America money market fund that invests in U.S. Treasury

securities known as "Nations Treasury Reserves - Daily Shares (symbol NTRDX)" or (iv) such other manner as may be reasonably agreed to by Seller and Buyer. The Escrow Deposit shall be disposed of by Escrow Holder only as provided in this Agreement. All accrued interest on the Escrow Deposit shall become part of the Escrow Deposit.

3.2 Closing Payment. The Purchase Price, as adjusted by the

application of the Escrow Deposit, a credit in the amount of the then-outstanding principal balance as of Closing of any mortgage indebtedness Buyer may elect to assume as described below, and by the prorations and credits specified herein, shall be paid by wire transfer of immediately available federal funds (through the escrow described in Section 5) on the "Closing Date" (as hereinafter defined). The amount to be paid under this Section 3.2 being herein called the "Closing Payment". It is hereby understood and agreed that Buyer may elect to assume Seller's existing mortgage loan and mezzanine loan debt on the Property in which event Seller shall cooperate with Buyer in connection with such assumption. In no event shall such assumption be a condition precedent to Buyer's obligations hereunder. If Buyer does not assume such existing debt, Seller shall pay off and discharge such debt at Closing. Buyer shall pay all costs and fees associated with such assumption.

4. Conditions Precedent. The obligation of Buyer to acquire, and

Seller to transfer, the Property as contemplated by this Agreement is subject to satisfaction of each of the following conditions precedent (any of which may be waived in writing by the party in whose favor such condition exists) on or before the applicable date specified for satisfaction of the applicable condition. If any of such conditions is not fulfilled (or waived) pursuant to the terms of this Agreement, then this Agreement shall terminate and, in connection with any such termination made in accordance with this Section 4, Seller and Buyer shall be released from further obligation or liability hereunder (except for those obligations and liabilities which, pursuant to the terms of this Agreement, survive such termination), and the Escrow Deposit shall be disposed of in accordance with Section 9. The "Closing" (as hereinafter defined) shall constitute approval by each party of all matters to which such party has a right of approval and a waiver of all conditions precedent; except that there shall be no waiver for a breach of the representations and warranties contained herein or for any covenants expressly surviving Closing as set forth herein.

4.1 Title Matters.

4.1.1 Title Report/Survey. Buyer has received the

title insurance commitment dated July 5, 2006 (the "Commitment") for the Hotel from First American Title Insurance Company (which company, in its capacity as title insurer hereunder, is herein called the "Title Company"). In addition, Seller has delivered and Buyer has received the survey of the Property in Seller's possession (the "Survey"). If Buyer shall fail to deliver the "Termination Notice" as hereinafter defined on or before the end of the "Due Diligence Period" (as hereinafter defined), Buyer shall be deemed to have approved the exceptions to title shown on the Commitment and the matters disclosed on the Survey and such other title or survey matters as are disclosed to Buyer during the Due Diligence Period.

4.1.2 Additional Post Due Diligence Title Matters.

Approval by Buyer of any, in Buyer's reasonable opinion, material additional exceptions to title or survey matters disclosed after the end of the Due Diligence Period ("Additional Title Matters") shall be a condition precedent to Buyer's obligations to purchase the Property (Buyer hereby agreeing that its approval of Additional Title Matters shall not be unreasonably withheld). Unless Buyer gives written notice ("Title Disapproval Notice") that it disapproves any Additional Title Matters, stating the Additional Title Matters so disapproved, before the sooner to occur of the Closing or ten (10) days after receipt of written notice of such Additional Title Matters, Buyer shall be deemed to have approved such Additional Title Matters. Seller shall have up to a thirty (30) day period after its receipt of any Title Disapproval Notice within which to remove the disapproved Additional Title Matters set forth therein from title or obtain from Title Company a commitment to issue an endorsement affirmatively insuring against such items in a form reasonably acceptable to Buyer at no cost or expense to Buyer (Seller having the right but not the obligation to do so), and the Closing Date shall be extended, at Seller's option, to allow for such thirty (30) day period. In the event Seller determines at any time that it is unable or unwilling to remove any one or more of such disapproved Additional Title Matters, Seller may give written notice to Buyer to such effect; in such event, Buyer may, at its option, terminate this Agreement upon written notice to Seller but only if given prior to the sooner to occur of the Closing or ten (10) days after Buyer receives Seller's notice. If Buyer fails to give such termination notice by such date, Buyer shall be deemed to have waived its objection to, and approved, the matters set forth in Seller's notice.

4.1.3 Seller Mortgage Liens. Notwithstanding the

foregoing provisions of this Section 4.1, Seller shall be obligated to take such actions as may be required by the Title Company so that the Title Company is willing to issue title insurance to Buyer without exception for any "Seller Mortgage Liens" (which, as used herein, means any mortgage or deed of trust liens, construction or mechanics' liens, tax liens or other liens or charges in a fixed sum created or arising by, through or under Seller or capable of computation as a fixed sum that encumber the Real Property). Such actions shall include obtaining a pay-off letter and leaving a portion of the Purchase Price in escrow to satisfy the Seller Mortgage Liens.

4.1.4 Exceptions to Title. Buyer shall be obligated to

accept title to the Property, subject to the following exceptions to title (the "Permitted Exceptions"):

- (a) Liens for real estate taxes and assessments not yet due and payable;
- (b) The Leases;
- (c) Actions caused by or through Buyer; and
- (d) Such other exceptions to title or survey exceptions as may be approved (or deemed approved) by Buyer pursuant to the above provisions of this Section 4.1 or otherwise expressly permitted under this Agreement.

Conclusive evidence of the availability of such title shall be the willingness of Title Company to issue to Buyer on the Closing Date an owner's title insurance policy in the standard form issued in the State of Illinois (the "Owner's Policy"), in the face amount of the Purchase Price, which policy shall show (i) title to the Land and Improvements to be vested of record in Buyer and insure Buyer's interest in the Property Agreements, and (ii) the Permitted Exceptions to be the only exceptions to title, and (iii) contain the endorsements issued to Seller by the Title Company to its owner's policy dated November 7, 2005 (except for the mezzanine loan endorsement) and a comprehensive endorsement.

4.1.5 Endorsements to Owner's Policy. It is understood

that Buyer may request a number of additional endorsements to the Owner's Policy. Buyer shall satisfy itself during the Due Diligence Period that the Title Company will issue such additional endorsements in connection with the Owner's Policy at Closing. However, the issuance of such additional endorsements (other than the endorsements issued to Seller by the Title Company to its owner's policy dated November 7, 2005 (except for the mezzanine loan endorsements) and a comprehensive endorsement shall not be a condition to Closing and in no event shall Seller be obligated to provide any indemnity or other document in order to issue such additional endorsements.

4.2 Due Diligence Reviews. Except for title and

survey matters (which shall be governed by the provisions of Section 4.1 above), and subject to the provisions hereinafter set forth, Buyer shall have until 5:00 p.m. (Chicago time) Friday, July 28, 2006 (the period beginning on the date hereof and ending on such date being herein called the "Due Diligence Period") within which to perform and complete all of Buyer's due diligence examinations, reviews and inspections of all matters pertaining to the purchase of the Property, including all permits, licenses, management agreements, leases, service contracts, and all physical, environmental and compliance matters and conditions respecting the Property. During the Due Diligence Period, Seller shall provide Buyer with reasonable access to the Property (subject to this Section 4.2.1) upon reasonable advance notice and shall also make available to Buyer (to the extent in Seller's possession or control) and shall instruct its Manager to make available to Buyer such leases, service contracts and other information relating to the operation of the Property as Buyer shall reasonably request, all upon reasonable advance notice. In no event, however, shall Seller be obligated to make available any attorney-client work product or privileged documents or documents in breach of confidentiality agreements or any internal memoranda, correspondence, analyses, documents or reports prepared by or for Seller for its internal use in connection with this Agreement, the transaction contemplated by this Agreement, the acquisition of the Property by Seller (other than any property condition, compliance, engineering, third party inspection or environmental reports pertaining to the Property), and appraisals or other valuations of the Property in the possession or control of Seller. Buyer shall promptly commence, and shall diligently and in good faith pursue, its due

diligence review hereunder.

4.2.1 Review Standards. Buyer shall at all times

conduct its review, inspections and examinations in a manner so as to not cause liability, damage, lien, loss, cost or expense to Seller or the Property and so as to not unreasonably interfere with or disturb the Manager, any guest or any tenant at the Property, and Buyer will indemnify, defend, and hold Seller and the Property harmless from and against any such liability, damage, lien, loss, cost or expense (the foregoing obligation surviving any termination of this Agreement). Prior to entry upon the Property, Buyer shall provide Seller with copies of certificates of insurance evidencing comprehensive general liability insurance policies (naming Seller as an additional insured) which shall be maintained by Buyer in connection with its investigations upon the Property prior to the date of entry upon the Property, with limits, coverages and insurers under such policies reasonably satisfactory to Seller. Without limitation on the foregoing, in no event shall Buyer: (a) make any intrusive physical testing (environmental, structural or otherwise) at the Property (such as soil borings, water samplings or the like) without Seller's express written consent which shall not be unreasonably withheld or delayed (and Buyer shall in all events promptly return the Property to its prior condition and repair thereafter) and which may be further conditioned upon, among other things, Seller's reasonable approval of the following: (i) the insurance coverage of the contractor who will be conducting such testing; and (ii) the scope and nature of such testing to be performed by such contractor; (b) contact the Manager or any tenant of the Property without Seller's express written consent (which shall not be unreasonably withheld or delayed); (c) contact any governmental authority having jurisdiction over the Property without Seller's express written consent (which shall not be unreasonably withheld or delayed); provided, Buyer may in the course of its due diligence contact governmental authorities with respect to determining Seller's and the Hotel's compliance with applicable zoning or building code requirements and regulations and other applicable laws and regulations, and to cause the transfer or issuance of all applicable licenses and permits (including liquor licenses) necessary for the continued normal operation of the Hotel following the Closing. Seller shall have the right, at its option, to cause a representative of Seller to be present at all inspections, reviews and examinations conducted hereunder. At Seller's written request, at no expense to and without representation, warranty by or liability to Buyer, and provided Buyer has the right to do so, Buyer shall promptly deliver to Seller true and complete copies of any written reports relating to the Property prepared for or on behalf of Buyer by any third party. In the event of any termination of this Agreement, Buyer shall return all documents and other materials furnished by Seller. Prior to Closing and subject to Section 10.15 hereof, Buyer shall keep all non-public information or data received or discovered in connection with any of Buyer's inspections, reviews or examinations strictly confidential, except for disclosures required to comply with applicable law and disclosures to representatives, investors, lenders, counsel and agents, provided such disclosures are on an as needed basis for Buyer's acquisition of the Property, and such persons are instructed to keep the information strictly confidential. The provisions of this Section 4.2.1 shall survive any termination of this Agreement.

4.2.2 Termination Right. If, on or before the

expiration of the Due Diligence Period, Buyer shall determine in its sole discretion that it no longer intends to acquire the Property, then Buyer shall promptly (but in all events prior to the expiration of the Due Diligence Period) notify Seller of such determination in writing (such notice being herein called the "Termination Notice"), whereupon this Agreement, and the obligations of the parties hereunder, shall terminate (and no party hereto shall have any further obligation in connection herewith except under those provisions that expressly survive a termination of this Agreement). In such event, the Escrow Deposit shall be released to Buyer by Escrow Holder. In the event that Buyer shall fail to have delivered the Termination Notice to Seller before the expiration of the Due Diligence Period, Buyer shall have no further right to terminate this Agreement pursuant to this Section 4.2.

4.3 Performance by Seller. The accuracy of Seller's

representations and warranties in all material respects and the performance and observance, in all material respects, by Seller of all covenants and agreements of this Agreement to be performed or observed by Seller prior to or on the Closing Date shall be a condition precedent to Buyer's obligation to purchase the Property. Without limitation on the foregoing, in the event that the "Seller Closing Certificate" (as hereinafter defined) shall disclose any material inaccuracies or material adverse changes in the representations and warranties of Seller which are not otherwise permitted or contemplated by the terms of this Agreement or known to Buyer (as defined in Section 7.2.5 hereof) during the Due Diligence Period, then Buyer shall have the right to terminate this Agreement.

4.4 Performance by Buyer. The accuracy of Buyer's

representations and warranties in all material respects and the performance and observance, in all material respects, by Buyer of all covenants and agreements of this Agreement to be performed or observed by it prior to or on the Closing Date shall be a condition precedent to Seller's obligation to sell the Property. Without limitation on the foregoing, in the event that the "Buyer Closing Certificate" (as hereinafter defined) shall disclose any material inaccuracies or material adverse changes in the representations and warranties of Buyer contained in Section 7.2 which are not permitted or contemplated by the terms of this Agreement, then Seller shall have the right to terminate this Agreement.

4.5 Hotel Management Agreement. The Property is subject to a

hotel management agreement captioned "AMENDED AND RESTATED MANAGEMENT AGREEMENT", dated as of November 7, 2005, by and between Seller and Conrad Hotels USA, Inc., a Delaware corporation ("Manager") (the "Hotel Management Agreement"). The obligations of Seller to close the sale contemplated hereby shall be conditioned upon Buyer satisfying the requirements of Section 9.3.1 (iii) (a) and of Section 9.3.1(iii)(b) of the Management Agreement (i.e., Buyer will be able to make the representation made by Owner (as therein defined) in Section 9.3.1(iii)(b) and comply with the covenants in Section 9.3.1(iii)(b). Buyer represents and warrants that Buyer has reviewed the Management Agreement and will be able to satisfy the requirements of Section 9.3.1(iii) of the Management Agreement. If Manager will not permit an assignment of the Management Agreement to Buyer solely as a result of Buyer's failure to satisfy the requirements of Section 9.3.1 (iii) of the Management Agreement, then Buyer will be deemed to be in default hereunder and Seller may terminate this Agreement and retain the Earnest Money as liquidated damages.

4.6 Liquor Licenses. Buyer acknowledges that there may be

various liquor licenses associated with the operation of the Hotel. As soon as is reasonably practicable after the full execution and delivery of this Agreement, Buyer shall file an application with the required state and local agencies for the issuance of such licenses (the "Required Liquor Licenses") as are necessary for the continued operation of the Hotel. Buyer shall diligently pursue the obtaining of the Required Liquor Licenses at Buyer's sole cost and expense. Seller shall cooperate and instruct Manager to cooperate reasonably with Buyer in its efforts to obtain the Required Liquor Licenses and shall cause any violation of liquor laws or regulations which would affect the ability of Buyer to obtain the Required Liquor Licenses by Closing to be cured to the satisfaction of the liquor license authorities and any fines to be paid, all prior to the Closing Date and at Seller's sole cost and expense. The issuance of the Required Liquor Licenses shall not be a condition to Buyer's obligations to close the sale contemplated hereby. However, if applicable and as permitted by applicable law, Seller shall enter into a customary post-closing interim agreement for use of Seller's liquor licenses with customary indemnities whereby such alcoholic beverage operations are continued or managed by the existing holder of the liquor licenses until the Required Liquor Licenses can be obtained by Buyer following the Closing.

4.7 Audit. Buyer shall have the right to obtain from a

third-party certified public accountant (at Buyer's sole cost and expense) audits with respect to the Property providing all disclosures required by generally accepted accounting principles and Securities and Exchange Commission ("SEC") regulations, specifically in accordance with Section 3.05 of Regulation S-X and all related rules and regulations thereof. Seller, at no cost or expense to Seller, shall, and shall use reasonable efforts to cause its Manager and the predecessor owner(s) and manager(s) of the Property to, cooperate in a commercially reasonable manner in connection with the performance of such audits and to provide information reasonably requested by such accountants. In connection with such audits, Seller, at no cost or expense to Seller, shall and shall use reasonable efforts to cause Manager and the predecessor owner(s) and manager(s) to provide the accountants performing such audits with representation letters conforming to American Institute of Certified Public Accountants professional standards. Buyer recognizes that, as a result of Seller owning the Hotel for less than one (1) year, obtaining audited financials for the previous two (2) years from Seller is impossible. It is Buyer's understanding that Section 3.05 of Regulation S-X requires two (2) years of audited financials but that the SEC may waive such requirement. The parties hereby agree that Buyer shall have ten (10) business days from and after the date of this Agreement to either (i) obtain a letter from Buyer's auditors (which Buyer shall use commercially reasonable efforts to obtain) confirming that they will be able to provide an audit in compliance with Section 3.05 of Regulation S-X or (ii) obtain a waiver from the SEC. Within the ten (10) business days, Seller shall use commercially reasonable efforts to assist in all material respects Buyer in

its effort to obtain reasonable assurances that it will receive audited financial statements complying with Regulation S-X. Within such ten (10) business day period, if Buyer has not become reasonably comfortable as described in (i) above, Buyer shall use commercially reasonable

efforts to obtain a waiver of the applicable provisions of Regulation S-X within such same ten (10) business day period and Seller shall be included in all correspondence and invited to participate in all conversations with the SEC to the extent permitted by the SEC in connection with procuring such waiver. If the conditions set forth in (i) or (ii) above are not satisfied within such ten (10) business days period, Buyer may terminate this Agreement within such period, in which case the Escrow Deposit shall be released to Buyer by Escrow Holder and no party shall have any further obligation in connection with this Agreement except under those provisions that expressly survive a termination. In the event such waiver is not obtained from the SEC and Buyer does not terminate this Agreement as provided in the immediately preceding sentence by the expiration of said 10-business day period, Seller shall obtain the books and records from the predecessor owner and/or manager relating to the last year of ownership by such predecessor and shall deliver at Closing an accounting representation letter ("ARL") to be executed by both Seller and an appropriate party who will sign the ARL with respect to the books and records of the prior ownership. In addition, Seller shall make available to Buyer an appropriate representative to answer any questions concerning such books and records. Buyer's satisfaction of (i) or (ii) above shall not be a condition to Closing and the failure to satisfy same will not permit Buyer to terminate this Agreement. unless Buyer does so within the 10 business day period provided above.

4.8 Estoppels. Seller shall have obtained and delivered to

Buyer (and Seller agrees to use commercial reasonable efforts to so obtain) estoppel letters addressed to Buyer dated within forty-five (45) days of the Closing with respect to the Hotel Management Agreement, the Block 119 Parking Easement Agreement and the Reciprocal Easement and Operating Agreement substantially in the form required under each such agreement, which estoppels shall, among other things, certify that there are no material defaults under any such agreement. Seller shall not be in default under this Agreement or have any liability to Buyer if Seller is unable to obtain any of the foregoing estoppel letters, provided Seller uses commercially reasonable efforts to do so. Seller shall also use commercially reasonable efforts to obtain and deliver to Buyer such an estoppel certificate with respect to the Public Way Easement, but receipt of such estoppel certificate shall not be a condition to Buyer's obligation to close the sale contemplated hereby. If required by the Title Company, Seller shall also have obtained (and Seller shall use commercially reasonable efforts to obtain) and deliver to the Title Company such lien waiver from Manager with respect to the period prior to Closing sufficient to cause the Title Company not to make an exception in the Owner's Policy for any lien of right to a lien in favor of Manager.

5. Closing Procedure. The closing (the "Closing") of the sale and

purchase herein provided shall occur on the Closing Date. As used herein, "Closing Date" means November 8, 2006, or such other date as may be agreed upon by Buyer and Seller. The Closing Date is subject to extension under Section 4.1.2. Buyer shall deliver its funds to the Escrow Holder no later than 11:00 a.m. central time on the Closing Date. The Closing shall be accomplished pursuant to escrow instructions (the "Escrow Instructions") among Buyer, Seller and the Escrow Holder.

5.1 Closing Deliveries. Prior to the Closing Date, the

parties shall deliver to the Escrow Holder the following:

5.1.1 Seller Deliveries. Seller shall deliver to

Escrow Holder the following:

(a) A duly executed and acknowledged original special warranty deed (the "Deed") in the form of Exhibit "E";

(b) A duly executed and acknowledged original assignment and assumption of Hotel Management Agreement (the "Hotel Management Agreement Assignment and Assumption") in the form of Exhibit "F";

(c) A duly executed bill of sale in the form of Exhibit "G";

(d) A duly executed original certificate of Seller (the "Seller Closing Certificate") in the form of Exhibit "H" updating the representations and warranties contained in Section 7.1 to the Closing Date and noting any changes thereto;

(e) A duly executed original certificate of "non-foreign" status in the form of Exhibit "I" and any required state certificate that is sufficient to exempt Seller from any state withholding requirement with respect to the sale contemplated by this Agreement;

(f) Evidence reasonably satisfactory to Buyer and Title Company respecting the due organization, good standing and qualification to do business of Seller and the due authorization and execution of this Agreement and the documents required to be delivered hereunder;

(g) To the extent they are then in Seller's possession, and have not theretofore been delivered to Buyer: (i) any plans and specifications for the Improvements; (ii) all unexpired warranties and guarantees which Seller has received in connection with any work or services performed with respect to, or equipment installed in, the Improvements; (iii) all keys for the Improvements; (iv) originals of all Leases, all correspondence to or from any tenants, relating to the Leases; (v) originals of all Service Agreements that will remain in effect after the Closing; (vi) a set of guest registration cards; (vii) a list of advance room reservations and functions; (viii) a list of Seller's outstanding accounts receivable as of midnight on the date prior to the Closing; (ix) all permits and licenses for the Property; and (x) all books and records relating solely to the operation of the Property (which materials under this clause (h) may be either delivered at Closing or left at the management office at the Property);

(h) A duly executed Seller's title affidavit;

(i) Such documents as are required from Seller and its affiliates by the holders of the existing mortgage and mezzanine loans for the assumption by Buyer of such loans and an assignment of the existing interest rate cap agreements with respect to such loans to Buyer (as part of the purchase consideration);

(j) Evidence reasonably satisfactory to Buyer of Manager's waiver of its right to purchase the Property with respect to the sale and purchase under this Agreement, whether by failure by Manager to respond to Seller's notice of sale within the time period provided in the Management Agreement or by express written waiver by Manager, which waiver shall be in force and effect as of the Closing Date;

(k) Duly executed and acknowledged resale certificates or other exemption certificates which are applicable to sales taxes on the transfer of personal property; and

(l) Such additional documents as may be reasonably required by Buyer and Title Company in order to consummate the transactions hereunder (provided the same do not increase in any material respect the costs to, or liability or obligations of, Seller in a manner not otherwise provided for herein).

5.1.2 Buyer Deliveries. Buyer shall deliver to the

Escrow Holder the following:

- (a) The Closing Payment in immediately available federal funds;
- (b) An original Hotel Management Agreement Assignment and Assumption;
- (c) A duly executed original certificate of Buyer ("Buyer Closing Certificate") in the form of Exhibit "J" updating the representations and warranties contained in Section 7.2 to the Closing Date and noting any changes thereto;
- (d) Evidence reasonably satisfactory to Seller and Title Company respecting the due organization of Buyer and the due authorization and execution of this Agreement and the documents required to be delivered hereunder; and
- (e) Such additional documents as may be reasonably required by Seller and Title Company in or to consummate the transactions hereunder (provided the same do not increase in any material respect the costs to, or liability or obligations of, Buyer in a manner not otherwise provided for herein).

5.1.3 Mutual Deliveries. Buyer and Seller shall

mutually execute and deliver to the Escrow Holder, the following:

- (a) A Closing Statement reflecting the Purchase Price, and the adjustments and prorations required hereunder and the allocation of income and expenses required hereby;
- (b) Such transfer tax forms as required by state and local authorities;
- (c) An Assignment and Assumption of Leases and Service Agreements in the form of Exhibit "K"; and
- (d) A General Assignment and Assumption Agreement in the form of Exhibit "L".

5.2 Closing Costs. Seller shall pay (1) the State and County

transfer tax of \$1.50 per \$1,000 of consideration in connection with the transfer contemplated hereby, (2) 50% of all escrow charges, and (3) the basic title premium for the Owner's Policy in accordance with this Agreement. Buyer shall pay (A) the City transfer tax of \$7.50 per \$1000 of consideration in connection with the transfer contemplated hereby and all clerk's fees in connection with the recordation of the Deed, (B) the retail sales and use taxes, if any, on the transfer of the Tangible Personal Property pursuant to this Agreement, (C) 50% of all escrow charges, (D) the cost of any endorsements to the Owner's Policy, (E) the cost to update the Survey, (F) all fees, costs or expenses in connection with Buyer's due diligence reviews hereunder and (G) all fees, costs or expenses in connection with any financing obtained by Buyer in connection with the transaction contemplated hereby. Any other Closing costs shall be allocated in accordance with local custom. Seller and Buyer shall pay their respective shares of prorations as hereinafter provided.

5.3 Prorations Items to be Prorated. The following provisions shall

govern the adjustments and prorations that shall be made at Closing and the allocation of income and expenses from the Property between Seller and Buyer. Except as expressly provided in this Section 5.3.1, all items of operating revenue and operating expense of the Property, with respect to the period prior to 12:00:01 a.m. (the "Cut-Off Time") local time at the Hotel on the Closing Date, shall be for the account of and paid by Seller and all items of operating revenue and operating expense of the Property with respect to the period after the Cut-Off Time, shall be for the account of and paid by Buyer.

(a) Taxes. (i) All unpaid real estate taxes,

personal property taxes and other assessments on the Property shall be prorated at Closing. Seller shall be responsible for all real property taxes and personal property taxes and other assessments for the tax periods prior to the Closing Date, and Buyer shall be responsible for all real property taxes and personal property taxes and other assessments for the tax periods from and after the Closing Date; however if any special improvement assessments on the Property are payable in installments, then the installments (including the current installment) shall be prorated as of the Cut-Off Time (with Buyer assuming the obligation to pay any installments payable after the Closing). If the real property tax rate, personal property tax rate or any assessment has not been set for the tax year in which the Closing occurs, then the proration of such real property tax, personal property tax or assessment shall be based on the previous tax bill for the preceding tax year for such tax or assessment which has not been set for the tax year in which the Closing occurs, and such proration shall be adjusted between Seller and Buyer upon presentation of written evidence that the actual taxes or assessment paid (determined as of the date such taxes or assessment are actually paid) for the tax year in which the Closing occurs differ from the amounts used at Closing and in accordance with Section 5.3.2. Seller shall consult with Buyer regarding any assessment for real property taxes for the 2006 tax year. Seller and Buyer acknowledge that Seller has retained counsel to seek a reduction in real estate taxes for the fiscal period in which the Closing occurs and the parties shall reasonably cooperate with each other in connection with any such proceedings so as to maximize the benefits of such proceedings for both. The amount of any tax refunds (net of attorneys' fees and other costs incurred by Seller in seeking such a reduction) with respect to any portion of the Property for the tax year in which the Cut-Off Time occurs shall be apportioned between Seller and Buyer based on their relative tax payments for such tax year.

(ii) The parties acknowledge that certain taxes accrue and are payable to the various local governments by any business entity operating a hotel and its related facilities. Included in those taxes may be business and occupation taxes, retail sales and use taxes, gross receipts taxes, and other special lodging or hotel taxes. For purpose of this Agreement, all of such taxes (expressly excluding taxes and assessments covered by Section 5.3.1(a)(i) above, corporate franchise taxes, and federal, state, and local income taxes) (hereinafter referred to as "Operational Taxes") shall be allocated between Seller and Buyer such that those attributable to the period prior to the Cut-Off Time shall be allocable to Seller and those attributable to the period from and after the Cut-Off Time shall be to Buyer (with the attribution of such taxes hereunder to be done in a manner consistent with the attribution under this Agreement of the applicable revenues on which such taxes may be based). Buyer shall receive a credit for any Operational Taxes attributable to the period prior to the Cut-Off Time which Seller has not paid. Except for the Operational Taxes for which (and in the amount for which) Buyer has received a credit under this Section 5.3.1(a)(ii), Seller shall be solely responsible for payment of the Operational Taxes with respect to the period prior to the Cut-Off Time, and Buyer shall be solely responsible for payment of such Operational Taxes with respect to the period after the Cut-Off Time (and those for which and in the amount for which it receives a credit).

(b) Lease and Rental Expenses. Collected

rents and other payments from the tenants under the Leases (the "Tenants"), shall be prorated between Seller and Buyer as of 11:59 P.M. on the day prior to the Closing Date. If on the Closing Date there are past due rents or charges owed by Tenants, collection of such amounts shall be prorated when received. If any payments of rent or other fixed charges received by Seller or Buyer on or after the Closing Date are payable to the other party by reason of this allocation, the appropriate sum shall be promptly paid to the other party. Seller is responsible, at its cost, to direct Manager to collect all past due amounts prior to Closing. If any Lease contains obligations on the part of the Tenant for tax, escalation, percentage, or overage payments ("additional rent") and such additional rent is not yet payable as of the Closing Date, then if Seller's portion of such additional rent is collected by Buyer from the Tenant, Buyer shall remit such amounts to Seller. Buyer will make reasonable efforts to collect all past due rents, if any, for Seller's account, but Buyer shall not be obligated to commence dispossession or other legal proceedings.

(c) Hotel Reservations and Revenues.

(i) Reservations. On the Closing

Date, Seller shall request that Manager provide Buyer with its schedule of confirmed reservations for dates subsequent to the Closing Date, which schedule shall list the party for whose benefit the reservation was made, the amount of deposit thereunder, the amount of any room rental deposits, and the amount of any other deposits made for advance reservations, banquets or future services to be provided after the Closing Date. Buyer will honor (or cause its manager to honor), for its account, all pre-Closing Date reservations as so confirmed by Seller for dates subsequent to the Closing Date at the rate or price previously agreed to by Seller (so long as such rates conform to customary rates charged by Seller). Seller shall pay or credit to Buyer the amount of all prepayments or deposits disclosed in such schedule.

(ii) Guest Revenues. Seller shall

receive a credit for, and Buyer shall purchase from Seller, the Guest Ledger. Such credit shall equal the amount of the accounts receivable (or 50% thereof in the case of the final night's room revenue, including any sales taxes, room taxes and other taxes charged to guests in such rooms, all parking charges, sales from mini-bars, in-room food and beverage, telephone, facsimile and data communications, in-room movie, laundry, and other service charges allocated to such rooms with respect to the night), less credit card charges, travel company charges and similar commissions. Revenues from guest rooms in the Hotel occupied on the night containing the Cut-Off Time, including any sales taxes, room taxes and other taxes charged to guests in such rooms, all parking charges, sales from mini bars, in room food and beverage, telephone, facsimile and data communications, in room movie, laundry, and other service charges allocated to such rooms with respect to the night containing the Cut-Off Time shall be divided equally between Seller and Buyer; provided, however, that to the extent the times at which food and beverage sales, telephone, facsimile or data communication, in room movie, laundry, and other services are ordered by guests can be determined, the same shall be allocated between Seller and Buyer based on when orders for the same were received, with orders originating prior to Cut-Off Time being allocable to Seller, and orders originating from and after the Cut-Off Time being allocable to Buyer. All other revenues from restaurants, lounges, and other service operations conducted at the Property shall be allocated based on whether the same accrued before or from and after the Cut-Off Time as described in the preceding sentence, and Seller shall instruct the Manager, and Buyer shall instruct its manager, to separately record sales occurring before and from and after the Cut-Off Time. The foregoing amounts are referred to collectively as "Guest Revenues".

(iii) Banquet and Meeting Room

Revenues. Revenues from conferences, receptions, meetings, and other functions

occurring in any conference, banquet or meeting rooms in the Hotel, including usage charges and related taxes, food and beverage sales, valet parking charges, equipment rentals, and telecommunications charges, shall be allocated between Seller and Buyer, based on when the function therein commenced, with (i) one-day functions commencing prior to the Cut-Off Time being allocable to Seller; (ii) one day functions commencing from and after the Cut-Off Time being allocable to Buyer; and (iii) multi day functions that include periods both before and after the Cut-Off Time being prorated between Seller and Buyer according to the period of time before and from and after the Cut-Off Time. The foregoing amounts are referred to collectively as "Conference Revenues".

(iv) Unredeemed Gift Certificates and

Vouchers. Buyer shall receive a credit against the Purchase Price at Closing the

face value of all paid for vouchers, gift certificates and other promotional materials (together, the "Vouchers") which may be used as full or partial payment for any Hotel service including, room rentals, food and beverage service, or any other item either borne directly by the owner of the Hotel or which is reimbursable by the owner of the Hotel (i.e., if a gift certificate can be used to pay for items in the Hotel gift shop). The parties also agree that no credit shall be given for any complimentary Vouchers. Seller shall request that Manager deliver to Buyer one (1) business day prior to the Closing Date a list of all such Vouchers.

(d) Utilities and Insurance. Buyer shall be

responsible for all dealings with utility service providers with respect to any actions to change over accounts to Buyer as of the Closing Date. All charges for utilities shall be prorated as of the Closing Date. In the event the actual amounts for such charges for utilities or telephone calls are not known as of the Closing Date or cannot be billed separately to the responsible party, such charges shall be prorated between the parties as of the Closing Date once the actual amounts thereof become known. If necessary, at the request of Buyer, Seller shall complete the customary forms required by any telephone company or telephone company service provider to assign the Property's existing telephone numbers to Buyer. Any fees payable by the owner of the Hotel in respect of the insurance policies maintained by Manager for the Property shall be prorated as of the Closing Date. The parties shall request that Manager add Buyer as an additional named insured on any such insurance policies as of the Closing Date.

(e) Permits. Permit and license fees of

assignable permits and licenses, if any, shall be prorated as of the Closing Date.

(f) Service Agreements. Fees and other

amounts, including accrued employee expenses, payable and/or accrued under the Hotel Management Agreement and payments due under the other Service Agreements in the name of Seller shall be prorated as of the Closing Date. Seller shall be required to pay or cause to be paid (or reimbursed to Manager) or credit to Buyer at the Closing any accrued or earned wages, vacation pay, sick pay, bonuses, pension, profit-sharing and welfare benefits and other compensation and fringe benefits of all persons employed at the Property on or before the Closing Date, including any employment taxes or other fees or assessments attributable thereto; it being understood, however, that Seller shall not be required to pay any withdrawal liability with respect to any union employees. The parties further agree that with respect to sick pay, at the end of the calendar year in which the Closing occurs, Buyer shall reimburse Seller for all unused sick pay credited to Buyer at Closing which did not carry over to the following calendar year.

5.3.2 Calculation. The representatives of the parties

shall jointly prepare and deliver to each party a preliminary closing statement (the "Preliminary Closing Statement") which shall show the net amount due either to Seller or Buyer as a result thereof, and such net amount will be added to, or subtracted from the payment of the Purchase Price to be paid to Seller pursuant to Section 5.3 hereof. Within one hundred and twenty (120) days following the Closing Date, Seller and Buyer shall agree on an updated closing statement (the "Updated Closing Statement") setting forth the updated determination of all items to be included on the Updated Closing Statement. The net amount due Seller or Buyer, if any, by reason of adjustments to the Preliminary Closing Statement as shown in the Final Closing Statement, shall be paid in cash by the party obligated therefor within ten (10) days following the date of the Updated Closing Statement. In the event any prorations or apportionments made under this Section 5.3 shall prove to be incorrect for any reason, then any party shall be entitled to an adjustment to correct the same. The party who is entitled to any such adjustment shall be paid within ten (10) days following the date notice of such adjustment is received. Any item which cannot be finally prorated because of the unavailability of information shall be tentatively prorated on the basis of the best data then available and reprorated when the information is available, such as property taxes.

5.3.3 Accounts Receivable. Accounts Receivable shall

be identified as of the Cut-Off Time. Seller shall receive a credit for, and Buyer shall purchase from Seller, all accounts receivable (other than the Guest Ledger) that are less than ninety (90) days past due. Such credit shall equal the amount of the accounts receivable, less (i) credit card charges, travel company charges and similar commissions and (ii) on all accounts receivable other than credit card receivables, a 3% discount for uncollectible amounts for receivables that are less than ninety (90) days past due. Subject to the following sentence, all accounts receivable and credit card claims for goods and services furnished prior to the Cut-Off Time that are not so purchased by Purchaser shall remain the property of Seller and, to the extent Purchaser receives any payments on account thereof after Closing (A) if the applicable account debtor who makes such payment then owes payment on one of Seller's accounts receivable and no accounts receivable of Purchaser, then Purchaser shall immediately remit such amount (net of travel agent commissions or credit card company charges for payment of such claims) to Seller, and (B) if the applicable account debtor who makes such payment then owes payment on accounts receivable owing to Purchaser and to Seller, such payments (net of travel agent commissions or credit card company charges for payment of such claims) shall be applied to pay accounts receivable in order of priority from the least-aged to the most-aged. The following shall apply to past due or accruing room rents and other customary Hotel charges including the guest and city ledgers.

5.3.4 Bank Accounts, Inventory and Seller's Deposits.

Buyer and Seller shall mutually agree upon the aggregate amount of cash in the house bank accounts, house banks and cash on hand as of the Closing Date (the "Aggregate Cash Amount"). At the Closing, Seller shall be credited with the Aggregate Cash Amount, including without limitation any management account (excluding the FF&E reserve account which will transfer to Buyer as part of the purchase consideration and either be assigned or credited, as applicable, to Buyer), to the Cut-Off Time. All transferable deposits of Seller made for utilities, maintenance or service contracts, licenses, or otherwise, shall be credited to Seller at Closing. In this regard, the parties shall arrange to have all such accounts and deposits transferred to Buyer at Closing.

5.3.5 Health Club and Other Dues. Prepaid health club

and other revenues shall be prorated between Buyer and Seller as of the Cut-Off Time, with Buyer receiving a credit for the unearned health club and other revenue as of the Cut-Off Time.

5.3.6 Prepaids. Seller shall receive a credit for

prepaid expenses as of the Cut-Off Time, including prepaid expenses under contracts, advertising expenses, trade association dues and trade subscriptions, and fees for permits. Prepaid advertising expenses shall only include advertising which has not been published, mailed or aired as of the Cut-Off Time.

5.3.7 Payables. Seller shall use reasonable commercial

efforts to pay off all trade accounts payable as of the Cut-Off Time. To the extent unpaid, Buyer shall receive a credit for all accounts payable and accrued liabilities owing for goods and services furnished prior to the Cut-Off Time.

Buyer shall pay all accounts payable relating to goods and services for which orders have been placed but, as of the Cut-off Time, such goods and services have not yet been delivered or provided. All fees, reimbursements and other amounts payable to the Manager under the Hotel Management Agreement shall be apportioned between Seller and Purchaser as of the Cut-off Time.

5.3.8 Surviving Obligations. The provisions of this

Section 5.3 shall survive the Closing and shall not be subject to the limitations set forth in Section 10.2.1 hereof.

6. Condemnation or Destruction of Property.

6.1 Condemnation. Seller agrees to give Buyer prompt notice

of any notice it receives (or knowledge it otherwise obtains) of any taking by condemnation (actual, pending or threatened) of any part of or rights appurtenant to the Property. Buyer shall have the right to terminate this Agreement in the event of an actual, pending or threatened condemnation or temporary condemnation of longer than six (6) months that has or reasonably would be expected to have a material adverse impact on the operations of the Property, in which event Escrow Deposit shall be returned to Buyer. If Buyer does not so elect to terminate this Agreement, then the Closing shall take place as provided herein, and Seller shall assign to Seller at the Closing all of Seller's interest in any condemnation award which may be payable to Buyer on account of any such condemnation and, at Closing, Seller shall credit to the amount of the Purchase Price payable by Buyer the amount, if any, of condemnation proceeds received by Seller between the Date of this Agreement and Closing less any amounts which are reasonably allocated to lost earnings reasonably allocated or attributed to the period of time prior to Closing or which are used to repair or restore the Property prior to Closing. Provided Buyer has not exercised its right to terminate this Agreement, Seller shall notify Buyer in advance regarding any proceeding or negotiation with respect to the condemnation and Buyer shall have the right, at its own cost and expense, to appear and participate in any such proceeding or negotiation.

6.2 Fire or Other Casualty. Seller shall give Buyer prompt

notice of any fire or other casualty to the Property costing more than \$100,000.00 to repair and occurring between the Date of this Agreement and the Closing. If, prior to Closing, the Property is damaged by fire or other casualty which is insured (without regard to deductibles) to an extent as would not cost more than \$5,000,000.00 and would not take longer than six (6) months to repair, and if the holders of the existing Mortgage and Mezzanine Loans will permit insurance proceeds to be used to repair and restore the Property, then the Closing shall take place without abatement of the purchase price, but Seller shall assign to Buyer at Closing all of Seller's interest in any insurance proceeds (except only, rent loss and business interruption insurance, and any similar insurance attributable to the period preceding the Closing Date) that may be payable to Seller on account of any such fire or other casualty, plus Seller shall credit the amount of any deductibles under any policies related to such proceeds to the purchase price, to the extent such deductibles or insurance proceeds have not been previously expended or are otherwise required to reimburse Owner for actual expenditures of restoration. If any such damage due to fire or other casualty is insured and is to such an extent as would cost more than \$5,000,000.00 or would take longer than six (6) months to repair, or if such holders will not permit insurance proceeds to be used to repair and restore the Property then, at Buyer's option, Buyer may terminate this Agreement and the Escrow Deposit shall be returned to Buyer. Should Buyer nevertheless elect to proceed to Closing, the Closing shall take place without abatement of the Purchase Price and at Closing Seller shall assign to Buyer all of Seller's interest in any insurance proceeds (except only, rent loss and business interruption insurance, and any similar insurance, in each case, attributable to the period preceding the Closing Date) that may be payable

to Seller on account of any such fire or other casualty, and Seller shall grant to Buyer a credit against the Purchase Price equal to the amount of the applicable deductible, to the extent such deductibles or insurance proceeds have not been previously expended or are otherwise required to reimburse Owner for actual expenditures of restoration. If, prior to Closing, the Property is damaged by fire or other casualty which is uninsured and would cost more than \$5,000,000.00 to repair or would take longer than six (6) months to repair, then, at Buyer's option, Buyer may terminate this Agreement and the Escrow Deposit shall be returned to Buyer. If Buyer does not elect to terminate this Agreement with respect to an uninsured casualty as aforesaid, or if any uninsured casualty would not cost more than \$5,000,000.00 to repair and would not take longer than six (6) months to repair, then the Closing shall take place as provided herein, and the Purchase Price shall be reduced by the estimated amount to repair casualty not to exceed such \$5,000,000.00. If Buyer does not or is not entitled to terminate this Agreement with respect to a casualty or condemnation, Seller shall diligently commence and pursue restoration of the Property so as to minimize the loss of business and good will of the Property.

7. Representations, Warranties and Covenants.

7.1 Representations, Warranties and Covenants of Seller.

7.1.1 General Disclaimer. Except as specifically set

forth in Section 7.1.2 below or elsewhere in this Agreement or in the Deed or other closing documents, the sale of the Property hereunder is and will be made on an "as is" basis, without representations and warranties of any kind or nature, express, implied or otherwise, including any representation or warranty concerning title to the Property, the physical condition of the Property (including the condition of the soil or the Improvements), the environmental condition of the Property (including the presence or absence of hazardous substances on or respecting the Property), the compliance of the Property with applicable laws and regulations (including zoning and building codes or the status of development or use rights respecting the Property), the financial condition of the Property or any other representation or warranty respecting any income, expenses, charges, liens or encumbrances, rights or claims on, affecting or pertaining to the Property or any part thereof. Buyer acknowledges that, during the Due Diligence Period, Buyer will examine, review and inspect all matters which in Buyer's judgment bear upon the Property and its value and suitability for Buyer's purposes. Except as to matters specifically set forth in Section 7.1.2 below or elsewhere in this Agreement or in the Deed or other closing documents, Buyer will acquire the Property solely on the basis of its own physical and financial examinations, reviews and inspections and the title insurance protection afforded by the Owner's Policy.

7.1.2 Limited Representations and Warranties of

Seller. Seller hereby represents and warrants to Buyer (and, for this purpose,

"Seller's knowledge" (or any similar phrase) shall mean the present actual knowledge, without taking into account any constructive or imputed knowledge, of Steve Kisielica, Brad Falk, David Sims and John Merrill, but such individuals shall not have any liability in connection herewith):

(a) Leases. There are no leases of or

licenses or concessions for space in the Property which will be in force after the Closing and under which Seller is the landlord (whether by it or its agent entering into the leases or acquiring the Property subject to the leases) other than the Leases. As used herein, "Leases" means, collectively, (a) the leases, licenses and concessions agreements listed on Exhibit "N" (the "Lease Exhibit") and (b) the leases, licenses and concessions agreements entered into in accordance with this Agreement. All of the Leases are in full force and effect and none of them has been amended except as set forth in the Lease Exhibit. Except as set forth on Schedule 2, there are no security deposits under the Leases. There are no construction allowances, brokerage commissions, or fees or similar inducements due now or payable in the future in connection with the Leases.

To Seller's knowledge, Seller has performed all material work required to be performed by Seller under the Leases. To Seller's knowledge Seller has delivered to Buyer true, correct and complete copies of the Leases. To Seller's knowledge, Seller is not in default in any material respect under the Leases and there is no existing condition that, with notice or passage of time or both, would constitute a material default by Seller under any of the Leases. To Seller's knowledge, no other party to a Lease is in default in any material respect under such lease and there is not existing condition that, with notice or passage of time or both, would constitute a material default by such party under any Lease.

(b) Litigation. Except as set forth in

Exhibit "P", there is no pending (nor has Seller or to Seller's knowledge, its Manager, received any written notice of any threatened) action, litigation, condemnation or other proceeding against the Property or against Seller or to Seller's knowledge Manager with respect to the Property, other than personal injury matters covered by Seller's insurance and routine workers compensation claims.

(c) Service Agreements. Seller has not

entered into and, to Seller's knowledge, there are not any service, supply, maintenance, capital improvement, equipment leasing, employment, collective bargaining, union or similar contracts relating to the Property which will be in force after the Closing, except for the Service Agreements and "Excluded Contracts" (as hereinafter defined). As used herein, the "Service Agreements" means, collectively, (a) the contracts described in Exhibit "Q", (b) contracts (other than Excluded Contracts) which are cancelable on thirty 30 days' or less notice, without penalty, and (c) contracts entered into in accordance with this Agreement. As used herein, "Excluded Contracts" means Seller's contracts for (i) insurance and (ii) the engagement of attorneys, accountants and consultants. The Excluded Contracts are not being assigned to or assumed by Buyer hereunder. Buyer shall assume (and execute such documentation as Seller may reasonably request to reflect its assumption of) the brokerage commission obligations identified in Section 7.4.3. To Seller's knowledge, Seller has provided Buyer with access to true, correct and complete copies of the Service Agreements. To Seller's knowledge, all of the Service Agreements are in full force and effect, Seller is not in default in any material respect under the Service Agreements and there is no existing condition that, with notice or the passage of time would constitute a material default by Seller under any Service Agreement. To Seller's knowledge, no other party to a service agreement is in default in any material respect under any of the Service Agreements.

(d) Due Authority. This Agreement and all

agreements, instruments and documents herein provided to be executed or to be caused to be executed by Seller are and on the Closing Date will be duly authorized, executed and delivered by and are binding upon Seller. Seller is a limited liability company, duly organized and validly existing and in good standing under the laws of the State of Delaware, and is duly authorized and qualified to do all things required of it under this Agreement. Seller has the capacity and authority to enter into this Agreement and consummate the transactions herein provided without the consent or joinder of any other party (except as otherwise may be set forth in this Agreement). The foregoing statement shall not be subject to the "knowledge qualification" set forth above.

(e) Environmental Matters. The reports

described in Exhibit "R" (the "Environmental Reports") represent all of the environmental reports with respect to the Property in the possession or control of Seller. Except for any and all matters that are disclosed in the Environmental Reports, Seller has not received written notice of and to Seller's knowledge there are no violations of environmental laws, ordinances or regulations with respect to the Property. To Seller's knowledge, there is no presence of any hazardous materials, hazardous substances, toxic substances or wastes (as defined in or regulated by any federal, state or local laws, ordinances or regulations) on, under, in, at or emanating from the Property except in compliance with such laws, ordinances and regulations.

(f) Condemnations and Assessments. There is

no condemnation either instituted or, to Seller's knowledge, threatened, which would affect the Property, and neither Seller nor, to Seller's knowledge, Manager has received written notice of any special assessment affecting any of the Property.

(g) Insurance. Neither Seller nor, to

Seller's knowledge, Manager has received written notice from any insurance company of any defects or inadequacies in the Property that would affect adversely its insurability or increase the cost of insurance.

(h) Anti-Terrorism Laws. Neither Seller nor

to Seller's knowledge, any of its respective constituent owners or affiliates are in violation of any laws relating to terrorism or money laundering (collectively, the "Anti-Terrorism Laws"), including without limitation Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order") and/or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (the "USA Patriot Act").

(i) Solvency. Seller is not the subject

debtor under any federal, state or local bankruptcy or insolvency proceeding, or any other proceeding for dissolution, liquidation or winding up of its assets. Seller is not insolvent, and the consummation of the transactions contemplated by this Agreement shall not render Seller insolvent.

(j) Legal Requirements. Seller and, to

Seller's knowledge, Manager, have not received written notice from any governmental authority alleging a violation of any legal requirement or absence, suspension, revocation or non-renewal of any license or permit that has not been corrected, cured or otherwise resolved or seeking to audit or investigate compliance of the Hotel with any applicable legal requirement, which audit or investigation has not been completed or otherwise resolved and, to Seller's knowledge, all material permits and licenses necessary for the normal operation of the Property are in full force and effect.

(k) Financial Information. To Seller's

knowledge, all of Seller's financial information provided to Buyer, including, without limitation, all books and records and financial statements ("Financial Information") is correct and complete in all material respects and presents accurately the results of the operations of the Property for the periods indicated.

(l) No Options. Seller has not granted any

option, right of first offer or refusal or similar right in favor of any person to purchase or otherwise acquire the Hotel, any portion thereof or any interest therein, except to Manager. Manager has irrevocably waived any such right with respect to the sale contemplated by this Agreement, and such waiver shall be in full force and effect on the Closing.

(m) Audits. Seller and, to Seller's

knowledge, Manager, has not received any written notice of any audit of any taxes payable or tax delinquency with respect to the Property which has not been resolved or completed.

(n) Unrecorded Commitments. Seller has not

entered into any unrecorded commitment or agreement with any governmental authority affecting the Hotel which could reasonably be expected to have a material adverse effect on the ownership, value or operation of the Hotel. Neither Seller, nor to Seller's knowledge, Manager, has entered into any unrecorded commitment or agreement with any governmental authority, association or other organization or group affecting all or any portion of the Property which would impose any obligation to make any contribution or dedication of money or land or to construct, install or maintain any improvements of a public or private nature on or off the Property.

(o) Parties with Knowledge. Steve Kisielica,

Brad Falk, David Sims and John Merrill are familiar with the business and affairs of Seller and with the Property and the transactions contemplated under this Agreement and are the individuals responsible for Seller and its operations in the best position to have knowledge concerning the scope of the representations made by Seller in this Agreement.

(p) Property and Chilled Water Agreements.

The Property Agreements and the Chilled Water Agreement are in full force and effect. Seller has delivered true, correct and complete copies of such agreements to Buyer. To Seller's knowledge, all of such agreements are free from material default and there is no existing condition that, with notice or the passage of time or both, would constitute a material default under any of such agreements.

(q) Loan Documents. Attached hereto as

Schedule 3 is a list of all loan documents relating to the existing mortgage and mezzanine loans affecting the Property, including all amendments thereto (collectively the "Loan Documents"). Seller has delivered true, correct and complete copies of the Loan Documents to Buyer. All of the Loan Documents are in full force and effect. To Seller's knowledge, the Loan Documents are free from material default and there is no existing condition that, with notice of the passage of time or both, would constitute a material default under any of the Loan Documents. Seller has received no written notice of a default under the Loan Documents which has not been fully cured.

(r) Title to Personal Property. Seller has

good and marketable title to or a valid leasehold interest in all Tangible Personal Property and, subject to any equipment leases listed in the schedule of Service Agreements, all Tangible Personal Property shall be free and clear of all encumbrances at Closing; provided, however, if Buyer assumes the existing mortgage and mezzanine loans, the Tangible Personal Property shall also be subject to the Loan Documents.

(s) Employees. Seller has no employees

working at the Property, and all employees working at the Property on behalf of Seller are employees of Manager. Seller has not itself established any retirement, health insurance, vacation, pension, profit sharing or other benefit plans relating to the operation or maintenance of the Property. To Seller's knowledge as of the date of this Agreement, Seller has not received any written notice nor has Manager informed Seller of any actual or threatened union strikes, work stoppages or slow downs or any other labor disputes concerning individuals employed at the Property. To Seller's knowledge, no benefit plans maintained by Manager for Manager's employees working at the Property are in violation of applicable laws or the terms of such plans.

7.2 Representations and Warranties of Buyer. Buyer hereby

represents and warrants to Seller that:

7.2.1 This Agreement and all agreements, instruments and documents herein provided to be executed or to be caused to be executed by Buyer are and on the Closing Date will be duly authorized, executed and delivered by and are binding upon Buyer; Buyer is a limited partnership, duly organized and validly existing and in good standing under the laws of the State of Delaware, and is duly authorized and qualified to do all things required of it under this Agreement; and Buyer has the capacity and authority to enter into this Agreement and consummate the transactions herein provided without the consent or joinder of any other party (except as otherwise may be set forth in this Agreement).

7.2.2 Buyer and, to Buyer's knowledge, its constituent owners and affiliates, are in compliance with the requirements of Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "Order") and other similar requirements contained in the rules and regulations of the Office of Foreign Asset Control, Department of the Treasury ("OFAC") and in any enabling legislation or other Executive Orders in respect thereof (the Order and such other rules, regulations, legislation, or orders are collectively called the "Orders").

7.2.3 Neither Buyer nor, to Buyer's knowledge, its constituent owners and affiliates:

(a) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Order and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "Lists");

(b) has been arrested for money laundering or for predicate crimes to money laundering, convicted or pled nolo contendere to charges involving money laundering or predicate crimes to money laundering;

(c) has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(d) is owned or controlled by, nor acts for or on behalf of, any Person on the Lists or any other Person who has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(e) shall transfer any interest in Buyer or such parties to any Person who is, or whose beneficial owners are, listed on the Lists; or

(f) shall assign this Agreement or any interest herein, to any Person who is listed on the Lists or who is engaged in illegal money laundering.

If Buyer or any constituent owner or affiliate of Buyer becomes listed on the Lists or is indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Buyer shall immediately notify Seller upon Buyer's obtaining knowledge thereof. Buyer shall have ten (10) business days to remove such party from any interest in Buyer or Seller may terminate this Agreement upon written notice to Buyer, whereupon the Escrow Deposit shall be returned to Buyer and neither party shall have any further obligation hereunder except for those obligations which expressly survive a termination of this Agreement.

7.2.4 Buyer understands that, among the requirements of the State of Illinois and City of Chicago that govern the issuance of the liquor licenses with which it will be required to comply, are the following: Buyer will be required to submit personal background information, including social security numbers and driving records, on Buyer's managers and Buyer will further be required to submit such information on the owners and managers of any company which directly or indirectly controls Buyer. Buyer shall comply with these requirements. Buyer has no reason to believe that it will not be able to obtain the issuance of the Required Liquor Licenses in accordance with the timing contemplated by this Agreement.

7.2.5 "Buyer's knowledge" (or any similar phrase used in this Agreement) shall mean the present actual knowledge, without taking into account any constructive or imputed knowledge of Michael D. Schecter, John Williams and Mark Brugger, but such individuals shall not have any liability in connection herewith. Buyer represents that such persons are familiar with the business and affairs of Buyer and the transactions contemplated under this Agreement and are the executive officers responsible for Buyer and its operations in the best position to have knowledge concerning the scope of the representations made by Buyer in this Agreement and to have knowledge of the results of Buyer's diligence investigations of the Property.

7.3 Survival. The foregoing representations and warranties

(including any cause of action by reason of a breach thereof), except those pertaining to a party's authority or to Seller's title, which shall survive indefinitely, shall survive until the date that is nine (9) months after the Closing Date (the period beginning on the date hereof and ending on such date being herein called the "Survival Period"), at which time such representations and warranties (and any cause of action for a breach thereof not then in litigation) shall terminate. Notwithstanding the foregoing, Seller shall have no liability and Buyer shall make no claim against Seller, for (and Buyer shall be deemed to have waived any failure of a condition hereunder by reason of) a breach of any representation or warranty of Seller under this Agreement or any document executed by Seller in connection with this Agreement (including for this purpose any matter that would have constituted a breach of Seller's representations and warranties had they been made on the Closing Date) (a) if the breach in question was known to Buyer prior to the end of the Due Diligence Period, or (b) the breach in question was known to Buyer prior to Closing and Buyer proceeds with the Closing.

7.4 Interim Covenants of Seller. Until the Closing Date or

the sooner termination of this Agreement:

7.4.1 Maintenance/Operation. Seller shall cause the

Property to be maintained, repaired and operated in the same manner as prior hereto pursuant to its normal course of business (including making capital expenditures and expenditures of FF&E reserves in such normal course of business). Such continuing operation shall include delivering Property to Buyer at Closing with customary levels of inventories and supplies.

7.4.2 Service Contracts. Seller shall not enter into

any additional Service Agreements or other similar agreements without the prior consent of Buyer, which shall not be unreasonably withheld, except for (1) those deemed reasonably necessary by Seller which are cancelable on 30 days' notice without penalty and (2) those entered into by Manager which do not require Seller's consent.

7.4.3 Leases. Except to the extent required under the

Management Agreement without Seller's consent, Seller shall not enter into any new Leases or material modifications of Leases or terminate any Leases without Buyer's express written consent which shall not be unreasonably withheld or delayed and shall be deemed given if Buyer, within seven (7) business days after Seller requests Buyer's approval to a proposed new lease or material modification or termination of a Lease and provides Buyer with such information as is reasonable and appropriate for Buyer to determine whether to grant or withhold approval, fails to give Seller written notice of its disapproval thereof and the reasons therefor. Notwithstanding anything herein to the contrary, if the Closing occurs, Buyer shall bear all costs and expenses related to any new Leases or modifications, extensions, expansions, options or renewals of existing Leases entered into after the date hereof pursuant to this subsection (including tenant improvement costs and leasing commissions, but excluding free rent allocable to any period prior to the Closing Date) and, without limitation on the foregoing, the prorations at Closing shall include an appropriate credit to Seller consistent with the foregoing.

7.5 Seller's Environmental Inquiry. Buyer acknowledges and

agrees that the sole inquiry and investigation Seller has conducted in connection with the environmental condition of the Property is to obtain the Environmental Reports, and that, for purposes of this Agreement, Seller has acted reasonably in solely relying upon said inquiry and investigation.

7.6 Hotel Management Agreement Indemnity. Buyer shall

indemnify, defend and hold harmless Seller from and against any claim by Manager (and all obligations, claims, liabilities, damages, losses, cost or expenses, including reasonable attorneys' fees and court costs, resulting therefrom) by reason of a default by the owner under the Hotel Management Agreement occurring and attributable to the period on or after the Closing Date. Seller shall indemnify, defend and hold harmless Buyer from and against any claim by Manager (and all obligations, claims, liabilities, damages, losses, cost or expenses, including reasonable attorneys' fees and court costs, resulting therefrom) by reason of a default by the owner under the Hotel Management Agreement occurring or attributable to the period prior to the Closing Date. The indemnity obligations set forth in this Section 7.6 shall survive the Closing.

7.7 Budget. Seller shall give Buyer a credit against the

Purchase Price at Closing in an amount equal to any amount of the \$4,000,000 conversion budget referenced in Section 3.1 of the Management Agreement which has not been expended on items contemplated by such conversion budget.

7.8 Reservations and Bookings. Seller shall cause Manager to

continue to take guest room reservations and to book functions and meetings and otherwise to market and promote the business of the Hotel in generally the same manner as it did prior to the execution of this Agreement; and all advance room bookings and reservations and all meetings and function bookings shall be booked at rates, prices and charges charged by Seller and Manager for such purposes in the ordinary course of business consistent with past practices.

7.9 Notice of Proceedings. Seller shall promptly advise

Buyer of any litigation, arbitration or administrative hearing, or any written threat to commence any of the foregoing, concerning or relating to the Property or the operation thereof, of which Seller obtains knowledge.

7.10 Removal of Property. Seller shall refrain and cause

Manager to refrain from removing any portion of the Property without the prior written consent of Buyer, except in the normal course of business as to personal property that is no longer needed or useful or is replaced, prior to Closing, with similar items of at least equal suitability, quality and value, free and clear of any liens or security interests other than that of the existing mortgage loan which Buyer intends to assume.

7.11 Existing Loans. Seller shall make all payments of

principal, interest and other sums under the existing mortgage loan, mezzanine loan, Management Agreement, Chilled Water Service Agreement, Block 119 Parking Easement Agreement and Reciprocal Easement and Operating Agreement and perform all of its respective obligations thereunder which accrue to the period prior to the Closing and shall use commercially reasonable efforts not to permit any default to exist thereunder. Seller shall not enter into any new loan documents or modify any existing loan documents or any other of the aforementioned agreements which would be binding on Seller or the Property upon an assumption of such loans or the purchase of the Property and which would materially increase Buyer or its affiliates' liabilities or obligations or materially decrease Buyer's or its affiliates' rights thereunder.

7.12 Insurance. Seller shall maintain or, to the extent

Manager maintains the insurance, cause Manager to maintain all existing insurance carried on the Property by Seller or Manager.

7.13 Material Alteration. Without Buyer's consent, which

shall not be unreasonably withheld, delayed or conditioned, Seller shall not make or obligate itself to make, and Seller shall request Manager not to make, or obligate itself to make, any material alterations or modifications to the Property except in the case of emergencies and except those contemplated in the capital expenditure and FF&E budgets provided to Buyer during the Due Diligence Period.

7.14 Transfer of Permits. Seller shall cooperate with Buyer

(with no out-of-pocket cost to Seller) in all reasonable respects in connection with the transfer (if any) of any permits, licenses, certificates and approvals issued with respect to the Property to Buyer or the issuance of any new permits, licenses, certificates or approvals (if any) to Buyer, each to be effective no earlier than Closing, and Seller shall and shall cause Manager to use commercially reasonable efforts to (i) preserve and keep in force existing permits, licenses, certificates and approvals issued with respect to the Property, and (ii) cause all those expiring during the period between the date of this Agreement and the Closing to be renewed prior to the Closing Date.

7.15 No Further Marketing. Seller shall not market, sell,

convey or offer to sell any portion of the Property (nor permit Manager to do any of the same), except for items of Tangible Personal Property sold or consumed in the ordinary course of business. Notwithstanding the preceding sentence, the parties understand and agree that Seller may still solicit offers for the Property but shall not accept any such offer while this agreement is in full force and effect.

7.16 Management Agreement Consents. Seller shall not grant

any material consent requested by Manager pursuant to the Management Agreement without first consulting with Buyer and obtaining Buyer's consent, which shall not be unreasonably withheld, delayed or conditioned.

7.17 Baggage Inventory. The representatives of Seller and

Buyer shall prepare the inventory as of day immediately preceding the Closing Date (which inventory shall be binding on all parties thereto) of (a) all luggage, valises and trunks checked or left in the care of the Hotel by guests then or formerly in the Hotel, (b) parcels, laundry, valet packages and other property of guests checked or left in the care of the Hotel by guests then or formerly in the Hotel (excluding, however, property in the Hotel safe deposit boxes), (c) all luggage or other property of guests retained by Buyer, and (d) all items contained in the Hotel lost and found. Buyer shall be responsible from and after the Closing Date for all baggage, and other items listed in such inventory. Seller hereby agrees to indemnify and hold Buyer harmless from and against any and all liability for claims arising prior to the Closing Date relating to such items not listed on the inventory. The provisions of this Section 7.17 shall survive the Closing.

7.18 Safe Deposit Boxes. Prior to the Closing Date, Seller

shall endeavor to send written notice to guests or tenants or other persons who to Seller's or its Manager's knowledge have possessions locked in safe-deposit boxes at the Hotel advising them of the sale of the Hotel (excluding in-room safes) to Buyer and requesting removal of the contents thereof or the removal thereof and concurrent re-deposit of such contents pursuant to new safe deposit agreements with Buyer. Seller and Buyer shall have representatives present when the boxes are opened and the contents thereof shall be inventoried. If the guest does not timely respond to Seller's notice, the safe deposit box may, if Seller, in its sole discretion, so agrees, be broken open in the presence of Seller and Buyer and the contents inventoried and re-deposited in a new "safe deposit" box. Buyer shall be solely responsible for all items in the Hotel's safe deposit boxes which had been so inventoried, removed and re-deposited and Buyer hereby agrees to indemnify, defend and hold Seller harmless from and against any and all liability therefor. Seller hereby agrees to indemnify and hold Buyer harmless from and against any and all liability for claims arising prior to the Closing Date relating to such items not listed on the inventory. The provisions of this Section 7.18 shall survive the Closing.

8. DISCLAIMER, RELEASE AND ASSUMPTION. AS AN ESSENTIAL INDUCEMENT

TO SELLER TO ENTER INTO THIS AGREEMENT, AND AS PART OF THE DETERMINATION OF THE PURCHASE PRICE, BUYER ACKNOWLEDGES, UNDERSTANDS AND AGREES AS OF THE DATE HEREOF AND AS OF THE CLOSING DATE AS FOLLOWS:

8.1 DISCLAIMER.

8.1.1 AS-IS, WHERE-IS. EXCEPT AS OTHERWISE EXPRESSLY

PROVIDED IN SECTION 7.1 OR ELSEWHERE IN THIS AGREEMENT OR IN THE DEED OR OTHER CLOSING DOCUMENTS, THE SALE OF THE PROPERTY HEREUNDER IS AND WILL BE MADE ON AN "AS IS, WHERE IS" BASIS AND SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE OF, AS TO, CONCERNING OR WITH RESPECT TO THE PROPERTY OR ANY OTHER MATTER WHATSOEVER.

8.1.2 SOPHISTICATION OF BUYER. BUYER IS A

SOPHISTICATED BUYER WHO IS FAMILIAR WITH THE OWNERSHIP AND OPERATION OF REAL ESTATE PROJECTS SIMILAR TO THE PROPERTY AND THAT BUYER HAS OR WILL HAVE ADEQUATE OPPORTUNITY TO COMPLETE ALL PHYSICAL AND FINANCIAL EXAMINATIONS (INCLUDING ALL OF THE EXAMINATIONS, REVIEWS AND INVESTIGATIONS REFERRED TO IN SECTION 4) RELATING TO THE ACQUISITION OF THE PROPERTY HEREUNDER IT DEEMS NECESSARY, AND WILL ACQUIRE THE SAME SOLELY ON THE BASIS OF AND IN RELIANCE UPON SUCH EXAMINATIONS AND THE TITLE INSURANCE PROTECTION AFFORDED BY THE OWNER'S POLICY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER (OTHER THAN AS EXPRESSLY PROVIDED IN SECTION 7.1 OR ELSEWHERE IN THIS AGREEMENT OR IN THE DEED OR OTHER CLOSING DOCUMENTS).

8.1.3 PASSIVE OWNER. SELLER (A) DID NOT DEVELOP OR

CONSTRUCT THE PROPERTY; AND (B) HAS DELEGATED THE DAY-TO-DAY MANAGEMENT OF THE PROPERTY TO A THIRD PARTY MANAGER.

8.1.4 DUE DILIGENCE MATERIALS. ANY INFORMATION

PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY IS SOLELY FOR BUYER'S CONVENIENCE AND WAS OR WILL BE OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO (AND EXPRESSLY DISCLAIMS ALL) REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION (EXCEPT TO THE EXTENT PROVIDED IN SECTION 7.1 OR ELSEWHERE IN THIS AGREEMENT AND IN THE DEED OR OTHER CLOSING DOCUMENTS). EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN SECTION 7.1 OR ELSEWHERE IN THIS AGREEMENT OR IN THE DEED OR OTHER CLOSING DOCUMENTS, SELLER SHALL NOT BE LIABLE FOR ANY MISTAKES, OMISSIONS, MISREPRESENTATION OR ANY FAILURE TO INVESTIGATE THE PROPERTY NOR EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN SECTION 7.1 OR ELSEWHERE IN THIS AGREEMENT OR IN THE DEED OR OTHER CLOSING DOCUMENTS SHALL SELLER BE BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS, APPRAISALS, ENVIRONMENTAL ASSESSMENT REPORTS, OR OTHER INFORMATION PERTAINING TO THE PROPERTY OR THE OPERATION THEREOF, FURNISHED BY SELLER, ITS MANAGER, OR BY ANY REAL ESTATE BROKER, AGENT, REPRESENTATIVE, AFFILIATE, DIRECTOR, OFFICER, SHAREHOLDER, EMPLOYEE, SERVANT OR OTHER PERSON OR ENTITY ACTING ON SELLER'S BEHALF (COLLECTIVELY, "SELLER RELATED PARTIES").

8.2 RELEASE. BUYER RELEASES SELLER AND ALL SELLER RELATED

PARTIES FROM ALL CLAIMS WHICH ANY BUYER OR ANY PARTY RELATED TO OR AFFILIATED WITH BUYER (A "BUYER RELATED PARTY") HAS OR MAY HAVE ARISING FROM OR RELATED TO ANY MATTER OR THING RELATED TO OR IN CONNECTION WITH THE PROPERTY INCLUDING THE DOCUMENTS AND INFORMATION REFERRED TO HEREIN, THE HOTEL MANAGEMENT AGREEMENT, THE TENANT LEASES AND THE TENANTS THEREUNDER, ANY CONSTRUCTION DEFECTS, ERRORS OR OMISSIONS IN THE DESIGN OR CONSTRUCTION AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO ANY SELLER RELATED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH OF ITS EXPRESSED TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION. HOWEVER, THE FOREGOING PROVISIONS OF THIS SECTION 8.2 SHALL NOT AFFECT, APPLY OR LIMIT SELLER'S EXPRESS OBLIGATIONS UNDER THIS AGREEMENT AND THE DOCUMENTS EXECUTED IN CONNECTION HERewith.

8.3 SURVIVAL. THIS SECTION SHALL SURVIVE ANY TERMINATION OF

THIS AGREEMENT AND THE CLOSING.

9. Disposition Of Escrow Deposit.

9.1 Default by Seller. If the transaction herein provided

shall not be closed by reason of Seller's default under this Agreement in a material respect or the failure of satisfaction of conditions benefiting Buyer under Section 4, which is not cured or satisfied within ten (10) days after written notice thereof by Buyer to Seller or the termination of this Agreement in accordance with Section 6, then the Escrow Deposit shall be returned to Buyer, and neither party shall have any further obligation or liability to the other (other than those obligations that expressly survive a termination of this Agreement); provided, however, if the transactions hereunder shall fail to close solely by reason of Seller's default, in a material respect, and Buyer is not in default in any material respect, then Buyer shall be entitled to (i) specifically enforce this Agreement as its sole and exclusive remedy (and Buyer shall not be entitled to bring any other action, for damages or otherwise, by reason of a default by Seller prior to Closing except as provided in (iii) below), but specific performance may not be granted or awarded except pursuant to an arbitration proceeding commenced under Section 10.10, within ninety (90) days after the Closing Date, or (ii) terminate this Agreement, in which event the Escrow Deposit shall be returned to Buyer and neither party shall have any further rights or obligations hereunder. Notwithstanding the foregoing, if Buyer elects to terminate this Agreement as a result of Seller's default in a material respect or as a result of a representation and warranty that was not true in a material respect as of the date when made and was not known by Buyer prior to the expiration of the Due Diligence Period to be untrue in a material respect, or which became materially untrue after the date when made as a result of Seller's actions or omissions, Seller shall reimburse Buyer up to \$150,000 of Buyer's documented, reasonable out-of-pocket expenses incurred by Buyer in connection with this transaction.

9.2 Default By Buyer. In the event the transaction herein

provided shall not close solely by reason of Buyer's default under this Agreement in a material respect which is not cured within ten (10) days after written notice thereof by Seller to Buyer, then the Escrow Deposit shall be delivered to Seller as its sole remedy and as full compensation and liquidated damages under this Agreement for such failure to close. In connection with the foregoing, the parties recognize that Seller will incur expense in connection with the transaction contemplated by this Agreement and that the Property will be removed from the market; further, that it is extremely difficult and impracticable to ascertain the extent of detriment to Seller caused by the breach by Buyer under this Agreement and the failure of the consummation of the transaction contemplated by this Agreement or the amount of compensation Seller should receive as a result of Buyer's breach or default. In the event the sale of the Property shall not be consummated on account of Buyer's default, then the retention of the Escrow Deposit shall be Seller's sole and exclusive remedy under this Agreement by reason of such default, subject to the provisions of this Agreement that expressly survive a termination of this Agreement.

9.3 Closing. In the event the transaction herein provided

shall close, the Escrow Deposit shall be applied as a partial payment of the Purchase Price.

10. Miscellaneous.

10.1 Brokers.

10.1.1 Except as provided in Section 10.1.2 below, Seller represents and warrants to Buyer, and Buyer represents and warrants to Seller, that no broker or finder has been engaged by it, respectively, in connection with the sale contemplated by this Agreement. In the event of a claim for broker's or finder's fee or commissions in connection with the sale contemplated by this Agreement, then Seller shall indemnify, defend and hold harmless Buyer from the same if it shall be based upon any statement or agreement alleged to have been made by Seller, and Buyer shall indemnify, defend and hold harmless Seller from the same if it shall be based upon any statement or agreement alleged to have been made by Buyer. The provisions of this Section 10.1 shall survive the Closing and shall not be subject to the limitations on survival in Section 7.3 or the limitations on liability in Section 10.2.

10.1.2 If and only if the sale contemplated herein closes, Seller has agreed to pay a brokerage commission to Sonnenblick Goldman ("Broker") pursuant to a separate written agreement between Seller and Broker.

10.2 Limitation of Liability.

10.2.1 Notwithstanding anything to the contrary contained herein, if the Closing of the transactions hereunder shall have occurred: (1) Seller shall have no liability (and Buyer shall make no claim against Seller) for a breach of any representation or warranty under this Agreement unless the valid claims for all such breaches collectively aggregate to more than \$100,000, (2) the liability of Seller under this Agreement for all breaches of representations and warranties under this Agreement shall not exceed, in the aggregate, to the extent not covered by insurance, an amount (the "Maximum Liability Amount") equal to \$2,500,000, and (3) in no event shall Seller be liable for any consequential or punitive damages for breach of such representations and warranties except in the case of fraud.

10.2.2 No constituent member or partner in or agent of Seller, nor any advisor, trustee, director, officer, employee, beneficiary, shareholder, member, partner, participant, representative or agent of any partnership, limited liability company, corporation, trust or other entity that has or acquires a direct or indirect interest in Seller, shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any agreement made or entered into under or pursuant to the provisions of this Agreement, or any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter, and Buyer and its successors and assigns and, without limitation, all other persons and entities, shall look solely to Seller's assets for the payment of any claim or for any performance, and Buyer, on behalf of itself and its successors and assigns, hereby waives any and all such personal liability. Notwithstanding anything to the contrary contained in this Agreement, neither the negative capital account of any constituent member or partner in Seller (or in any other constituent member or partner of Seller), nor any obligation of any constituent member or partner in Seller (or in any other constituent member or partner of Seller) to restore a negative capital account or to contribute capital to Seller (or to any other constituent member or partner of Seller), shall at any time be deemed to be the property or an asset of Seller or any such other constituent member or partner (and neither Buyer nor any of its successors or assigns shall have any right to collect, enforce or proceed against or with respect to any such negative capital account or a member's or partner's obligation to restore or contribute).

10.2.3 The foregoing shall be in addition to, and not in limitation of, any further limitation of liability that might otherwise apply (whether by reason of Buyer's waiver, relinquishment or release of any applicable rights or otherwise).

10.2.4 Notwithstanding anything herein to the contrary, except in the case of fraud by either party, the liability of each party hereto resulting from the breach or default by either party shall be limited to actual damages incurred by the injured party and except in the case of fraud by either party, the parties hereto hereby waive their rights to recover from the other party consequential, punitive, exemplary, and speculative damages.

10.2.5 The provisions of this Section 10.2 shall survive the Closing.

10.3 Exhibits; Entire Agreement; Modification. All exhibits

attached and referred to in this Agreement are hereby incorporated herein as if fully set forth in (and shall be deemed to be a part of) this Agreement. This Agreement contains the entire agreement between the parties respecting the matters herein set forth and supersedes all prior agreements between the parties hereto respecting such matters. This Agreement may not be modified or amended except by written agreement signed by both parties.

10.4 Time of the Essence. Time is of the essence of this

Agreement. However, whenever action must be taken (including the giving of notice or the delivery of documents) under this Agreement during a certain period of time (or by a particular date) that ends (or occurs) on a non business day, then such period (or date) shall be extended until the immediately following business day. As used herein, "business day" means any day other than a Saturday, Sunday or federal or Illinois state holiday.

10.5 Interpretation. Section headings shall not be used in

construing this Agreement. Each party acknowledges that such party and its counsel, after negotiation and consultation, have reviewed and revised this Agreement. As such, the terms of this Agreement shall be fairly construed and the usual rule of construction, to the effect that any ambiguities herein should be resolved against the drafting party, shall not be employed in the interpretation of this Agreement or any amendments, modifications or exhibits hereto or thereto. The words "herein", "hereof", "hereunder", "hereby", "this Agreement" and other similar references shall be construed to mean and include this Agreement and all amendments and supplements hereto unless the context shall clearly indicate or require otherwise. Whenever the words "including", "include" or "includes" are used in this Agreement, they shall be interpreted in a non-exclusive manner. Except as otherwise indicated, all Exhibit and Section references in this Agreement shall be deemed to refer to the Exhibits and Sections in this Agreement.

10.6 Governing Law. This Agreement shall be construed and

enforced in accordance with the laws of the State of Illinois.

10.7 Successors and Assigns. Buyer may not assign or transfer

its rights or obligations under this Agreement without the prior written consent of Seller either directly or indirectly (whether by outright transfer, transfer of ownership interests or otherwise); provided, however, Buyer may assign its interest in this Agreement on or before the Closing Date to an entity in which Buyer has direct or indirect control and has more than a 50% direct or indirect ownership interest so long as Buyer gives Seller at least three (3) business days advance written notice thereof and Buyer and the assignee execute and deliver an assignment and assumption agreement in form reasonably satisfactory to Seller. In the event of a transfer, the transferee shall assume in writing all of the transferor's obligations hereunder, but such transferor shall not be released from its obligations hereunder unless and until the Closing occurs. No consent given by Seller to any transfer or assignment of Buyer's rights or obligations hereunder shall be construed as a consent to any other transfer or assignment of Buyer's rights or obligations hereunder. No transfer or assignment in violation of the provisions hereof shall be valid or enforceable. Subject to the foregoing, this Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the parties. Seller acknowledges that certain items of tangible and/or intangible personal property may need to be assigned to Buyer's operating lessee and the applicable closing documents shall be modified accordingly as requested by Buyer including through the use of separate bills of sale and assignments or otherwise as reasonably requested by Buyer.

10.8 Notices. Any notice which a party is required or may

desire to give the other shall be in writing and may be sent by personal delivery, by mail (either [i] by United States registered or certified mail, return receipt requested, postage prepaid, or [ii] by Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery or by telecopy (with a copy by mail), addressed as follows (subject to the right of a party to designate a different address for itself by notice similarly given):

To Seller:

c/o Lodging Capital Partners, LLC
430 W. Erie Street
Suite 501
Chicago, IL 60610
Attention: Bradley Falk
Telecopier: (312) 229-1611
Telephone: (312) 229-1600

With Copy To:

Greenberg Traurig, LLP
77 West Wacker Drive
Suite 2400
Chicago, IL 60601
Attention: Laurence B. Dobkin
Telecopier: (312) 456-8435
Telephone: (312) 476-5036

And a copy to:

Westbrook Partners
1370 Avenue of the Americas
Suite 2800
New York, NY 10019
Attention: Avi Banyasz
Telecopier: (212) 849-8801
Telephone: (212) 849-8800

And a copy to:

Walton Street Real Estate Fund IV, L.P.
c/o Walton Street Capital, L.L.C.
900 N. Michigan Avenue
Chicago, IL 60611
Attention: Justin I. Leonard
Telecopier: (312) 915-2881
Telephone: (312) 915-2800

To Buyer:

DiamondRock Hospitality Limited Partnership
6903 Rockledge Drive
Suite 800
Bethesda, Maryland 20817
Attention: Michael D. Schechter
Telecopier: (240) 744-1199
Telephone: (240) 744-1170

With a copy to:

Akin Gump Strauss Hauer & Feld LLP
1700 Pacific Avenue
Suite 4100
Dallas, TX 75301
Attention: Carl B. Lee, PC
Telecopier: (214) 969-4343
Telephone: (214) 969-2726

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given.

10.9 Third Parties. Nothing in this Agreement, whether

expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties hereto and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third parties any right of subrogation or action over or against any party to this Agreement. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

10.10 ARBITRATION OF DISPUTES. ANY CONTROVERSY OR CLAIM

ARISING UNDER OR RELATING TO THE TERMS OF THIS AGREEMENT OR ANY OF THE EXHIBITS ATTACHED TO IT, AND ANY PROCEEDINGS TO ENFORCE THIS AGREEMENT OR RIGHTS UNDER THIS AGREEMENT AND ITS EXHIBITS OTHER THAN THE "EXCLUDED MATTERS" (AS HEREINAFTER DEFINED) SHALL BE SETTLED BY ARBITRATION IN THE CITY OF CHICAGO, ILLINOIS, IN ACCORDANCE WITH THE THEN EXISTING RULES ("RULES") OF PRACTICE AND PROCEDURE OF THE JUDICIAL ARBITRATION & MEDIATION SERVICES ("JAMS"). ARBITRATION SHALL BE INITIATED BY A WRITTEN DEMAND FOR ARBITRATION BY EITHER PARTY. THE PARTIES SHALL USE GOOD FAITH EFFORTS TO SELECT A SINGLE ARBITRATOR WITHIN TEN (10) DAYS OF SUCH REQUEST. IF THE PARTIES FAIL TO AGREE ON A SINGLE ARBITRATOR DURING SUCH 10-DAY PERIOD, THEN EITHER PARTY MAY REQUEST THAT JAMS APPOINT AN ARBITRATOR. AT THE TIME OF HIS OR HER APPOINTMENT, THE ARBITRATOR WILL BE REQUESTED TO HOLD AN ARBITRATION HEARING WITHIN THIRTY (30) DAYS. AS SOON AS PRACTICABLE AFTER SELECTION OF THE ARBITRATOR, THE ARBITRATOR SHALL DETERMINE A REASONABLE ESTIMATE OF THE ANTICIPATED FEES AND COSTS OF THE ARBITRATOR, AND SHALL RENDER A STATEMENT TO EACH PARTY SETTING FORTH SAID FEES AND COSTS. THEREAFTER EACH PARTY SHALL, WITHIN TEN (10) DAYS OF RECEIPT OF SAID STATEMENT, DEPOSIT ONE HALF OF SAID SUM WITH THE ARBITRATOR(S) TO BE APPLIED AGAINST SUCH FEES AND COSTS (SUBJECT TO THE PROVISIONS OF THIS AGREEMENT). THE ARBITRATOR SHALL HAVE THE RIGHT TO DETERMINE THE SCOPE OF HIS OR HER JURISDICTION (PROVIDED THE ARBITRATOR IS BOUND TO THE PROVISIONS OF THIS AGREEMENT), THE EXTENT OF DISCOVERY AND TO GRANT EQUITABLE RELIEF, INCLUDING, THE RIGHT TO INCLUDE IN ANY AWARD AN ORDER TO A PARTY TO EXPUNGE ANY LIS PENDENS WHICH THE ARBITRATOR DEEMS IMPROPER OR TO MAKE ANY CHANGES AS ARE NECESSARY TO AN IMPROPER LIS PENDENS FILING. THE PREVAILING PARTY SHALL BE ENTITLED TO REASONABLE ATTORNEYS' FEES AND OTHER REASONABLE COSTS INCURRED IN CONNECTION WITH THE ARBITRATION OR ANY OTHER LITIGATION PLUS INTEREST ON THE AMOUNT OF ANY AWARD. JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. AS USED HEREIN, "EXCLUDED MATTERS" MEANS ANY CONTROVERSY, CLAIM OR PROCEEDING WHICH ARISES OR IS MADE OR FILED AFTER THE CLOSING OCCURS.

10.11 Legal Costs. The parties hereto agree that they shall

pay directly any and all legal costs which they have incurred on their own behalf in the preparation of this Agreement, all deeds and other agreements pertaining to this transaction and that such legal costs shall not be part of the Closing costs. In addition, if either Buyer or Seller brings any suit or other proceeding, including an arbitration proceeding, with respect to the subject matter or the enforcement of this Agreement, the prevailing party (as determined by the court, agency, arbitrator or other authority before which such suit or proceeding is commenced), in addition to such other relief as may be awarded, shall be entitled to recover reasonable attorneys' fees, expenses and costs of investigation actually incurred. The foregoing includes attorneys' fees, expenses and costs of investigation (including those incurred in appellate proceedings), costs incurred in establishing the right to indemnification, or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11 or 13 of the Bankruptcy Code (11 United States Code Sections 101 et seq.), or any successor statutes. The provisions of this Section 10.11 shall survive the Closing and any termination of this Agreement.

10.12 No Recordation. In no event shall this Agreement or any

document or other memorandum related to the subject matter of this Agreement (other than a lis pendens giving notice of an arbitration or legal proceeding to specifically enforce Seller's obligations under this Agreement) be recorded without the consent of Seller.

10.13 Counterparts. This Agreement may be executed in one or

more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

10.14 Effectiveness. In no event shall any draft of this

Agreement create any obligation or liability, it being understood that this Agreement shall be effective and binding only when a counterpart hereof has been executed and delivered by each party hereto.

10.15 Press Releases. Except for any disclosures required by

law or the Securities and Exchange Commission, including, without limitation, Regulation FD, Seller and Buyer agree not to disclose or make any public announcements with respect to the subject matter of this Agreement or the existence of this Agreement without the consent of the other party. If either party desires to issue a press release or other public announcement regarding this Agreement or the transaction set forth herein, subject to the immediately preceding sentence, such party shall obtain the approval of the other party,

which approval shall not be unreasonably withheld or delayed. The provisions of this Section 10.15 shall survive the closing and any termination of this Agreement.

10.16 Indemnities.

10.16.1 Agreement to Indemnify. (i) Seller shall

indemnify and hold harmless Buyer and any partner, member, manager officer, director, trustee, beneficiary, employee or agent of Buyer (collectively, the "Buyer Indemnitees") from and against any and all obligations, claims, losses, damages, liabilities, and expenses (including, without limitation, reasonable attorneys' and accountants' fees and disbursements (collectively, "Damages") to the extent arising out of (A) any loss or damage to property or injury to or death of any person occurring on or about or in connection with the Property or any portion thereof at any time or times prior to the Closing Date (other than as to and excluding Damages of or to a Governmental Authority arising out of the physical or environmental condition of the Property prior to the Closing Date and other than as to Damages for remediation pertaining to the physical or environmental condition of the Property prior to the Closing Date), or (B) subject to the limitations set forth herein, a breach of any representation or warranty made by Seller hereunder or in any certificate delivered by Seller hereunder, and (ii) Purchaser shall indemnify and hold harmless Seller and any partner, member, manager, officer, director, trustee, beneficiary, employee or agent of Seller (collectively, the "Seller Indemnities") from and against any and all Damages to the extent arising out of (A) any loss or damage to property or injury to or death of any person occurring on or about the Property or any portion thereof on or at any time or times after the Closing Date (other than as to and excluding Damages of or to a Governmental Authority arising out of or resulting from or relating to the physical or environmental condition of the Property prior to the Closing Date and other than as to Damages for remediation pertaining to the physical or environmental condition of the Property prior to the Closing Date), or (B) subject to the limitations set forth herein, a breach of any representation or warranty made by Purchaser hereunder or in any certificate delivered by Purchaser hereunder. The provisions of this Section 10.16.1 shall survive the Closing and the termination of this Agreement. Seller's liabilities under this Section 10.16 shall not extend the Survival Period stated in Section 7.3 hereof or exceed the Maximum Liability Amount provided in Section 10.2.1 hereof, to the extent not covered by insurance.

10.16.2 Indemnification Procedure for Third Party

Claims. In the case of any claim asserted by a third party which claim is

subject to indemnification by either party hereunder, (a "Third-Party Claim"), the party seeking indemnification (the "Indemnatee") shall notify the other party (the "Indemnitor") promptly after has actual knowledge of any such Third-Party Claim as to which indemnity may be sought (provided that failure to so notify shall not affect the Indemnitor's obligations hereunder except to the extent materially prejudiced by such failure), and Indemnatee shall permit the Indemnitor, at its sole expense, to assume the defense of any such Third-Party Claim, provided that Indemnatee may participate in such defense or administration at Indemnatee's sole expense (provided, however, that if a conflict of interest exists such that separate counsel must be engaged by Indemnatee and the Indemnitor, the Indemnitor shall be responsible for the reasonable fees and costs for such counsel for Indemnatee but only for one separate counsel for all Indemnitees).

The Indemnitor, in the defense of any such Third-Party Claim, shall not, except with the consent of Indemnitee, which Indemnitee agrees will not be unreasonably withheld, conditioned or delayed with respect to a monetary settlement, judgment or relief, (a) consent to entry of any judgment or enter into any settlement that provides for injunctive or other non-monetary relief against Indemnitee or (b) pursue any course of defense of any such Third-Party Claim subject to indemnification hereunder if Indemnitee shall reasonably and in good faith determine that the conduct of such defense could be expected to adversely affect in any material respect Indemnitee, its direct or indirect owners, the use of the Property or Interest to which the Third-Party Claim relates. In addition, if the Indemnitor obtains and desires to accept from a party to any such Third-Party Claim an offer to settle the Third-Party Claim solely for an amount certain, then Indemnitee agrees that if requested by the Indemnitor, Indemnitee will, at its sole expense, assume defense of such Third-Party Claim and thereafter the Indemnitor's obligation with respect to such Third-Party Claim shall not exceed the costs of defense then incurred and the dollar amount of the settlement the Indemnitor proposed to accept immediately prior to such assumption by Indemnitee, it being agreed between Indemnitee and the Indemnitor that Indemnitee will pay any greater amounts owing and bear any other impositions in excess of those contemplated in the proposed settlement arrangement. In the event that the Indemnitor does not accept the defense of any matter as above provided, Indemnitee shall have the full right to defend against any such Third-Party Claim or demand and shall be entitled to settle or agree to pay in full such Third-Party Claim or demand, in its sole discretion. In any event, the Indemnitor and Indemnitee shall cooperate in the defense of any action or claim subject to this Agreement and each agrees to make its records available to the other with respect to such defense as reasonably requested and to the extent doing so does not compromise any claim of privilege or any other defense available to it. Acceptance of the defense of any Third-Party Claim or of the administration of any Third-Party Claim by the Indemnitor shall be without prejudice to the Indemnitor's right to assert at any time before or after accepting such defense or administration that it is not obligated to provide an indemnity, either in whole or in part, with respect to such Third-Party Claim. In the event that the Indemnitor asserts that it is not obligated to provide an indemnity to Indemnitee with respect to a Third-Party Claim, Indemnitee shall have the right to defend such Third-Party Claim, and if the Indemnitor is adjudicated liable for indemnifying Indemnitee, the Indemnitor shall reimburse Indemnitee for its out-of-pocket expenses in defending such Third-Party Claim and all settlements and judgments reasonably incurred as a result of such Third-Party Claim.

10.17 Holdback Escrow. At Closing, Seller hereby

agrees that Escrow Holder shall holdback from Seller's proceeds an amount ("Holdback Amount") equal to Two Million Five Hundred Thousand Dollars (\$2,500,000), which Holdback Amount shall be held in an interest bearing escrow account ("Post-Closing Escrow") during the Survival Period. Upon the expiration of the Survival Period, provided written notice has not been given to Escrow Holder of a claim in connection with this Agreement or of the commencement of a legal action relating to such claim by Buyer, Escrow Holder shall promptly release the Holdback Amount to Seller. If however, any such claim has been brought, the Holdback Amount shall remain with Escrow Holder until such time as all such claims have been resolved; and the Holdback Amount, or portions thereof, shall be paid as directed by Seller and Buyer or a final, non-appealable court order and Escrow Holder shall make demand for payment of any letter of credit substituted for cash as the Holdback Amount in order to make such payment. The parties hereby agree that Seller may elect, at any time during the Survival Period, to substitute a letter of credit payable in multiple drafts at a bank or branch located in Chicago, Illinois, having a term of at least one year, payable only on condition that Escrow Agent sends a sight draft, the form and issuer of which letter of credit shall be reasonably acceptable to Buyer. Unless and until the letter of credit is released to Seller in accordance with this Section 10.17, if the letter of credit has not been renewed or replaced by a substitute letter of credit satisfying the requirements of this Section 10.17 at least sixty (60) days prior to its stated expiration, the Escrow Agent shall immediately demand full payment of the letter of credit, and the proceeds thereof then shall be held pursuant to this Section 10.17. The parties acknowledge and agree that Escrow Agent's obligations to demand and collect payment of the letter of credit shall be absolute and unconditional and shall remain unaffected by any written notice, contrary instruction or other protest by Seller. If such an election to substitute a letter of credit is made by Seller subsequent to the Closing, Seller shall deposit the letter of credit with Escrow Holder, Escrow Holder shall obtain written confirmation from Seller that the letter of credit satisfies the requirements of this Section 10.17, and thereafter, Escrow Holder shall promptly release the cash proceeds from the Post-Closing Escrow to Seller.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SELLER:

LCP-WB OPERATOR, LLC,
a Delaware limited liability company

By: -----

Name:
Title:

BUYER:

DIAMONDROCK HOSPITALITY LIMITED
PARTNERSHIP,
a Delaware limited partnership

By: -----

Name:
Title:

DIAMONDROCK ANNOUNCES IT HAS ENTERED INTO AN AGREEMENT TO
PURCHASE THE CONRAD CHICAGO ON MICHIGAN AVENUE

BETHESDA, Md., Aug. 11 /PRNewswire-FirstCall/ -- DiamondRock Hospitality Company ("DiamondRock") (NYSE: DRH) today announced that it has entered into a definitive binding agreement to acquire the 311-room Conrad Chicago Hotel. The hotel will be acquired for a purchase price of \$117.5 million, and is expected to close late in the year. The purchase price represents 11.9 times our projected 2007 hotel earnings before interest, taxes, depreciation and amortization (or "EBITDA"). The luxury hotel was newly built and opened under another brand in 2001. It has some of the largest guestrooms in the city at an average of over 420 square feet. In connection with the rebranding of the hotel to the Conrad Chicago, which officially occurred in June, the hotel is undergoing a \$5 million upgrade, including the latest technology such as 42-inch plasma televisions, wireless internet and Hi-Fi Bose 3-2-1 entertainment centers.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20040708/DCTH028>)

"This was an attractive opportunity to acquire a luxury hotel in a tremendous location on Chicago's Magnificent Mile. It is our second acquisition this year in downtown Chicago, which is showing incredible strength this year and is earlier in the recovery than many other major markets. We remain bullish on the market. This acquisition also improves our overall portfolio. After completing this transaction, DiamondRock will have more than 50% of its earnings coming from the high growth markets of New York, Chicago and Los Angeles," commented William W. McCarten, Chairman and Chief Executive Officer of DiamondRock.

"This five year old luxury hotel with its prime location and recent affiliation with Conrad, Hilton's luxury brand, has tremendous upside. The hotel's proximity to Chicago's financial center and the amenities of Chicago's Magnificent Mile make the hotel an attractive destination for both weekday and weekend demand. The hotel's excellent meeting space makes it competitive for Chicago's high end group customer as well. We are very excited to work together with the Hilton organization to make this hotel a flagship for the Conrad brand and a financial flagship for DiamondRock's investors," added John Williams, President and Chief Operating Officer of DiamondRock.

This press release contains forward-looking statements within the meaning of federal securities laws and regulations. These forward looking statements are identified by their use of terms and phrases such as "believe," "expect," "intend," "project," and other similar terms and phrases, including references to assumptions and forecasts of future results. Forward- looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward- looking statements are made. These risks include, but are not limited to: national and local economic and business conditions, including the potential for additional terrorist attacks, that will affect occupancy rates at our hotels and the demand for hotel products and services; operating risks associated with the hotel business; risks associated with the level of our indebtedness; relationships with property managers; our ability to compete effectively in areas such as access, location, quality of accommodations and room rate structures; changes in travel patterns, taxes and government regulations which influence or determine wages, prices, construction procedures and costs. Although the Company believes the expectations reflected in such forward- looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. All information in this release is as of the date of this release, and the Company undertakes no obligation to update any forward- looking statement to conform the statement to actual results or changes in the Company's expectations.

Reconciliation of Net Income to 2007B EBITDA

	2007B
Estimated Net Income	\$ (100,000)
Income Taxes	250,000
Depreciation Expense	4,500,000
Interest Expense	5,225,000
Estimated EBITDA	\$ 9,875,000

EBITDA is defined as net income (loss) before interest, taxes, depreciation

and amortization. We believe it is a useful financial performance measure for us and for our stockholders and is a complement to net income and other financial performance measures provided in accordance with GAAP. We use EBITDA to measure the financial performance of our operating hotels because it excludes expenses such as depreciation and amortization, taxes and interest expense, which are not indicative of operating performance. By excluding interest expense, EBITDA measures our financial performance irrespective of our capital structure or how we finance our properties and operations. By excluding depreciation and amortization expense, which can vary from hotel to hotel based on a variety of factors unrelated to the hotels' financial performance, we can more accurately assess the financial performance of our hotels. Under GAAP, hotels are recorded at historical cost at the time of acquisition and are depreciated on a straight-line basis. By excluding depreciation and amortization, we believe EBITDA provides a basis for measuring the financial performance of hotels unrelated to historical cost. However, because EBITDA excludes depreciation and amortization, it does not measure the capital we require to maintain or preserve our fixed assets. In addition, because EBITDA does not reflect interest expense, it does not take into account the total amount of interest we pay on outstanding debt nor does it show trends in interest costs due to changes in our borrowings or changes in interest rates. EBITDA, as calculated by us, may not be comparable to EBITDA reported by other companies that do not define EBITDA exactly as we define the term. Because we use EBITDA to evaluate our financial performance, we reconcile it to net income (loss) which is the most comparable financial measure calculated and presented in accordance with GAAP. EBITDA does not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of liquidity.

DiamondRock Hospitality Company is a self-advised real estate investment trust (REIT) that is an owner and acquirer of premium hotel properties. After the acquisition of the Conrad Chicago, DiamondRock will own 18 hotels with 7,989 rooms. The Company has a strategic acquisition sourcing relationship with Marriott International. For further information, please visit the DiamondRock's website at <http://www.drhc.com>.

SOURCE DiamondRock Hospitality Company

-0- 08/11/2006

/CONTACT: Mark W. Brugger of DiamondRock Hospitality Company,
+1-240-744-1150/

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(DRH)