Table of Contents

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

FORM 10-Q

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

For the quarterly period ended June 15, 2012

OR

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

Commission file number 001-32514

DIAMONDROCK HOSPITALITY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**20-1180098**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
3 Bethesda Metro Center, Suite 1500, Bethesda, Maryland	**20814**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

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

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

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

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

The registrant had 195,141,934 shares of its $0.01 par value common stock outstanding as of July 25, 2012.

INDEX

PART I. FINANCIAL INFORMATION
Item I. Financial Statements

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 15, 2012 and December 31, 2011
(in thousands, except share and per share amounts)

	June 15, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Property and equipment, at cost	$ 2,681,505	$ 2,667,682
Less: accumulated depreciation	(474,302)	(433,178)
	2,207,203	2,234,504
Assets held for sale	—	263,399
Deferred financing costs, net	8,975	5,869
Restricted cash	61,026	53,871
Due from hotel managers	67,433	50,728
Note receivable	54,485	54,788
Favorable lease assets, net	42,355	43,285
Prepaid and other assets	69,875	65,900
Cash and cash equivalents	104,824	26,291
Total assets	**$ 2,616,176**	**$ 2,798,635**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage debt	$ 900,624	$ 762,933
Mortgage debt of assets held for sale	—	180,000
Senior unsecured credit facility	—	100,000
Total debt	900,624	1,042,933
Deferred income related to key money, net	24,408	24,593
Unfavorable contract liabilities, net	81,050	81,914
Due to hotel managers	44,049	41,676
Liabilities of assets held for sale	—	3,805
Dividends declared and unpaid	155	13,594
Accounts payable and accrued expenses	79,791	87,963
Total other liabilities	229,453	253,545
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 200,000,000 shares authorized; 167,930,396 and 167,502,359 shares issued and outstanding at June 15, 2012 and December 31, 2011, respectively	1,679	1,675
Additional paid-in capital	1,707,879	1,708,427
Accumulated deficit	(223,459)	(207,945)
Total stockholders' equity	1,486,099	1,502,157
Total liabilities and stockholders' equity	**$ 2,616,176**	**$ 2,798,635**

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

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Fiscal Quarters Ended June 15, 2012 and June 17, 2011 and
the Periods from January 1, 2012 to June 15, 2012 and January 1, 2011 to June 17, 2011
(in thousands, except per share amounts)

	Fiscal Quarter Ended		Period From	
	June 15, 2012	June 17, 2011	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Rooms	$ 126,973	$ 101,213	$ 210,361	$ 170,496
Food and beverage	47,907	41,834	79,158	71,012
Other	10,667	7,121	17,450	12,412
Total revenues	185,547	150,168	306,969	253,920
Operating Expenses:				
Rooms	33,422	25,894	58,301	46,096
Food and beverage	33,233	28,797	57,077	51,385
Management fees	6,616	6,357	9,758	9,105
Other hotel expenses	61,089	51,655	110,093	93,054
Depreciation and amortization	20,571	18,887	41,089	37,436
Impairment of favorable lease asset	468	—	468	—
Hotel acquisition costs	1,999	1,904	2,031	2,159
Corporate expenses	5,001	4,373	9,484	8,447
Total operating expenses	162,399	137,867	288,301	247,682
Operating profit	23,148	12,301	18,668	6,238
Other Expenses (Income):				
Interest income	(154)	(263)	(217)	(555)
Interest expense	12,510	10,015	23,978	18,833
Gain on early extinguishment of debt	—	—	(144)	—
Total other expenses	12,356	9,752	23,617	18,278
Income (loss) from continuing operations before income taxes	10,792	2,549	(4,949)	(12,040)
Income tax (expense) benefit	(1,848)	(3,278)	3,926	449
Income (loss) from continuing operations	8,944	(729)	(1,023)	(11,591)
Income (loss) from discontinued operations, net of income taxes	—	173	12,582	(8)
Net income (loss)	$ 8,944	$ (556)	$ 11,559	$ (11,599)
Earnings (loss) per share:				
Continuing operations	$ 0.05	$ (0.00)	$ (0.01)	$ (0.07)
Discontinued operations	—	0.00	0.08	(0.00)
Basic and diluted earnings (loss) per share	$ 0.05	$ (0.00)	$ 0.07	$ (0.07)

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

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods from January 1, 2012 to June 15, 2012 and January 1, 2011 to June 17, 2011
(in thousands)

	Period From	
	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income (loss)	$ 11,559	$ (11,599)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Real estate depreciation	41,089	43,034
Corporate asset depreciation as corporate expenses	44	39
Gain on sale of properties, net of tax	(10,017)	—
Gain on early extinguishment of debt	(144)	—
Non-cash ground rent	3,107	3,221
Non-cash financing costs, debt premium and interest rate cap as interest	1,681	764
Impairment of favorable lease asset	468	—
Amortization of unfavorable contract liabilities	(864)	(852)
Amortization of deferred income	(426)	(403)
Stock-based compensation	2,262	2,301
Payment of Los Angeles Airport Marriott litigation settlement	(1,709)	—
Changes in assets and liabilities:		
Prepaid expenses and other assets	(1,723)	(2,852)
Restricted cash	(1,975)	(2,794)
Due to/from hotel managers	(15,945)	(7,590)
Accounts payable and accrued expenses	(8,567)	(4,929)
Net cash provided by operating activities	18,840	18,340
Cash flows from investing activities:		
Hotel capital expenditures	(15,171)	(21,345)
Hotel acquisitions	—	(366,792)
Net proceeds from sale of properties	92,631	—
Cash received from mortgage loan	303	605
Change in restricted cash	(5,819)	(15,762)
Purchase deposits	(1,898)	(22,300)
Receipt of deferred key money	241	1,768
Net cash provided by (used in) investing activities	70,287	(423,826)
Cash flows from financing activities:		
Scheduled mortgage debt principal payments	(5,371)	(3,637)
Repurchase of common stock	(2,946)	(3,095)
Proceeds from sale of common stock, net	—	149,674
Proceeds from mortgage debt	170,368	100,000
Prepayment of mortgage debt	(26,963)	—
Draws on senior unsecured credit facility	40,000	115,000
Repayments of senior unsecured credit facility	(140,000)	—
Payment of financing costs	(4,375)	(2,234)
Purchase of interest rate cap	(934)	—
Payment of cash dividends	(40,373)	(13,505)
Net cash (used in) provided by financing activities	(10,594)	342,203
Net increase (decrease) in cash and cash equivalents	78,533	(63,283)
Cash and cash equivalents, beginning of period	26,291	84,201
Cash and cash equivalents, end of period	$ 104,824	$ 20,918

Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 27,733	$ 24,426
Cash paid for income taxes	$ 1,153	$ 629
Capitalized interest	$ 543	$ 548
Non-cash Financing Activities:		
Assumption of mortgage debt	$ —	$ 43,879
Unpaid dividends	$ 155	$ 13,549
Buyer assumption of mortgage debt on sale of hotels	$ 180,000	$ —

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

DIAMONDROCK HOSPITALITY COMPANY

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

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

As of June 15, 2012, we owned 23 hotels with 10,406 guest rooms, located in the following markets: Atlanta, Georgia (2); Boston, Massachusetts; Charleston, South Carolina; Chicago, Illinois (2); Denver, Colorado (2); Fort Worth, Texas; Los Angeles, California (2); Minneapolis, Minnesota; New York, New York (4); Oak Brook, Illinois; Orlando, Florida; Salt Lake City, Utah; Sonoma, California; Washington D.C.; St. Thomas, U.S. Virgin Islands; and Vail, Colorado. We also own a senior mortgage loan secured by a 443-room hotel located in Chicago, Illinois. On July 12, 2012, we acquired a portfolio of four hotels containing 1,462 guest rooms. See Footnote 11 for further discussion of this acquisition.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2011, included in our Annual Report on Form 10-K filed on February 29, 2012.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 15, 2012, the results of our operations for our fiscal quarters ended June 15, 2012 and June 17, 2011 and the periods from January 1, 2012 to June 15, 2012 and January 1, 2011 to June 17, 2011, and our cash flows for the periods from January 1, 2012 to June 15, 2012 and January 1, 2011 to June 17, 2011. Interim results are not necessarily indicative of full-year performance because of the impact of seasonal and short-term variations.

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

If the Company determines that it has an interest in a variable interest entity within the meaning of the FASB ASC 810, *Consolidation*, the Company will consolidate the entity when it is determined to be the primary beneficiary of the entity.

Reporting Periods

The results we report in our condensed consolidated statements of operations are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different reporting periods. Marriott, the manager of most of our properties, uses a fiscal year ending on the Friday closest to December 31 and reports 12 weeks of operations for each of the first three quarters and 16 or 17 weeks for the fourth quarter of the year for its domestic managed hotels. In contrast, Marriott, for its non-domestic hotels (including Frenchman's Reef), Vail Resorts, manager of the Vail Marriott, Davidson Hotels & Resorts, manager of the Atlanta Westin North at Perimeter, Hilton Hotels Corporation, manager of the Conrad Chicago and Hilton Minneapolis, Westin

Hotel Management, L.P., manager of the Westin Boston Waterfront Hotel, Alliance Hospitality Management, manager of the Hilton Garden Inn Chelsea/New York City, Sage Hospitality, manager of the JW Marriott Denver at Cherry Creek and the Courtyard Denver Downtown, and Highgate Hotels, manager of the Lexington Hotel New York, report results on a monthly basis. Additionally, as a REIT, we are required by U.S. federal tax laws to report results on a calendar year basis. As a result, we have adopted the reporting periods used by Marriott for its domestic hotels, except that our fiscal year always ends on December 31 to comply with REIT rules. Our first three fiscal quarters end on the same day as Marriott's fiscal quarters but our fourth quarter ends on December 31 and the full year results, as reported in the statement of operations, always include the same number of days as the calendar year.

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

Marriott recently announced preliminary plans to change its current fiscal year to a calendar year effective January 1, 2013. Marriott expects to make the fiscal year change on a prospective basis and will not adjust the prior year operating results. The change to Marriott's fiscal year will not impact the Company's full year results, which are currently reported on a calendar year. However, the preliminary change will impact the prior year comparability of each of our 2013 fiscal quarters.

While the reporting calendar we adopted is more closely aligned with the reporting calendar used by the manager of most of our properties, one final consequence of the calendar is that we are unable to report any results for Frenchman's Reef, Vail Marriott, Atlanta Westin North at Perimeter, Conrad Chicago, Westin Boston Waterfront Hotel, Hilton Minneapolis, Hilton Garden Inn Chelsea/New York City, JW Marriott Denver at Cherry Creek, Courtyard Denver Downtown or Lexington Hotel New York for the month of operations that ends after our fiscal quarter-end because none of Westin Hotel Management, L.P., Hilton Hotels Corporation, Davidson Hotels & Resorts, Alliance Hospitality Management, Vail Resorts, Sage Hospitality, Highgate Hotels nor Marriott (with respect to Frenchman's Reef) make mid-month results available to us. As a result, our quarterly results of operations include results from these hotels as follows: first quarter (January and February), second quarter (March to May), third quarter (June to August) and fourth quarter (September to December). While this does not affect full-year results, it does affect the reporting of quarterly results.

Property and Equipment

Investments in hotel properties, land, land improvements, building and furniture, fixtures and equipment and identifiable intangible assets are recorded at fair value upon acquisition. Property and equipment purchased after the hotel acquisition date is recorded at cost. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of a fixed asset, the cost and related accumulated depreciation is removed from the Company's accounts and any resulting gain or loss is included in the statements of operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 40 years for buildings, land improvements, and building improvements and one to ten years for furniture, fixtures and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets.

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

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

Note Receivable

We initially record acquired notes receivable at cost. Notes receivable are evaluated for collectability and if collectability of the original amounts due is in doubt, the value is adjusted for impairment. Our impairment analysis considers the anticipated cash receipts as well as the underlying value of the collateral. If collectability is in doubt, the note is placed in non-accrual status. No interest is recorded on such notes until the timing and amounts of cash receipts can be reasonably estimated. We record cash payments received on non-accrual notes receivable as a reduction in basis. We continually assess the current facts and circumstances to determine whether we can reasonably estimate cash flows. If we can reasonably estimate the timing and amount of cash flows to be collected, then income recognition becomes possible.

Revenue Recognition

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

Earnings (Loss) Per Share

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

Comprehensive Income (Loss)

We do not have any items of comprehensive income (loss) other than net income (loss). If we do incur any additional items of comprehensive income (loss), such that a statement of comprehensive income would be necessary, such statement will be reported as one statement with the consolidated statement of operations.

Stock-based Compensation

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

Income Taxes

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

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

In order for the income from our hotel property investments to constitute “rents from real properties” for purposes of the gross income tests required for REIT qualification, the income we earn cannot be derived from the operation of any of our hotels. Therefore, we lease each of our hotel properties to a wholly-owned subsidiary of Bloodstone TRS, Inc., our existing taxable REIT subsidiary, or TRS, except for the Frenchman’s Reef & Morning Star Marriott Beach Resort, which is owned by a Virgin Islands corporation, which we have elected to be treated as a TRS.

We had no accruals for tax uncertainties as of June 15, 2012 and December 31, 2011.

Fair Value Measurements

In evaluating fair value, U.S. GAAP outlines a valuation framework and creates a fair value hierarchy that distinguishes

between market assumptions based on market data (observable inputs) and a reporting entity's own assumptions about market data (unobservable inputs). The hierarchy ranks the quality and reliability of inputs used to determine fair value, which are then classified and disclosed in one of the three categories. The three levels are as follows:

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

Intangible Assets and Liabilities

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

Straight-Line Rental Income and Expense

We record rental income and expense on leases that provide for minimum rental payments that increase in pre-established amounts over the remaining term of the lease on a straight-line basis.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of our note receivable and cash and cash equivalents. We perform periodic evaluations of the underlying hotel property securing the note receivable. While the note receivable is currently in default, the value of the underlying hotel exceeds our carrying value of the note. See further discussion in Note 5. We maintain cash and cash equivalents with various financial institutions. We perform periodic evaluations of the relative credit standing of these financial institutions and limit the amount of credit exposure with any one institution.

Use of Estimates

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

Risks and Uncertainties

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

3. Property and Equipment

Property and equipment as of June 15, 2012 (unaudited) and December 31, 2011 consists of the following (in thousands):

	June 15, 2012	December 31, 2011
Land	$ 321,892	$ 321,892
Land improvements	7,994	7,994
Buildings	2,024,422	2,001,762
Furniture, fixtures and equipment	320,194	333,305
CIP and corporate office equipment	7,003	2,729
	2,681,505	2,667,682
Less: accumulated depreciation	(474,302)	(433,178)
	$ 2,207,203	$ 2,234,504

As of June 15, 2012, we had accrued capital expenditures of $0.7 million. As of December 31, 2011, we had accrued capital expenditures of $1.9 million.

4. Favorable Lease Assets

In connection with the acquisition of certain hotels, we have recognized intangible assets for favorable ground leases and tenant leases. Our favorable lease assets, net of accumulated amortization, as of June 15, 2012 (unaudited) and December 31, 2011 consist of the following (in thousands):

	June 15, 2012	December 31, 2011
Boston Westin Waterfront Ground Lease	$ 18,842	$ 18,941
Boston Westin Waterfront Lease Right	9,045	9,513
Minneapolis Hilton Ground Lease	5,950	5,985
Oak Brook Hills Marriott Resort Ground Lease	7,102	7,352
Lexington Hotel New York Restaurant Leases	1,416	1,494
	$ 42,355	$ 43,285

The favorable lease assets are recorded at the acquisition date and are generally amortized using the straight-line method over the remaining non-cancelable term of the lease agreement. Amortization expense for the period from January 1, 2012 to June 15, 2012 was approximately $0.5 million.

We own a favorable lease asset related to the right to acquire a leasehold interest in a parcel of land adjacent to the Westin Boston Waterfront Hotel for the development of a 320 to 350 room hotel (the “lease right”). The option expires in 2016. We do not amortize the lease right but review the asset for impairment annually or at interim periods if events or circumstances indicate that the asset may be impaired. An impairment loss of $0.5 million was recorded during the fiscal quarter ended June 15, 2012. No impairment loss was recorded during 2011.

The fair value of the lease right is a Level 3 measurement under the fair value hierarchy (see Note 2) and is derived from a discounted cash flow model using the favorable difference between the estimated participating rents in accordance with the lease terms and the estimated market rents. The discount rate was estimated using a risk adjusted rate of return, the estimated participating rents were estimated based on a hypothetical completed 327-room hotel comparable to our Westin Boston Waterfront Hotel, and market rents were based on comparable long-term ground leases in the City of Boston. The methodology used to determine the fair value of the lease right is consistent with the methodology used since acquisition of the lease right.

5. Note Receivable

We own the $69.0 million senior mortgage loan secured by the 443-room Allerton Hotel in Chicago, Illinois. The Allerton loan matured in January 2010 and is currently in default. The Allerton loan accrues at an interest rate of LIBOR plus 692 basis points, which includes 5 percentage points of default interest. As of June 15, 2012, the Allerton loan had a principal balance of $69.0 million and unrecorded accrued interest (including default interest) of approximately $5.5 million. Foreclosure proceedings were initially filed in April 2010 and the borrower filed for bankruptcy in May 2011. We continue to pursue our rights in the bankruptcy proceedings, but the outcome is uncertain. See Note 13 for further discussion of the bankruptcy proceedings.

Recognition of interest income on the Allerton loan is dependent upon having a reasonable expectation about the timing and amount of cash payments expected to be collected from the borrower. Due to the uncertainty surrounding the timing and amount of cash payments expected, we placed the Allerton loan on non-accrual status. As of June 15, 2012, we have received default

interest payments from the borrower of approximately $6.1 million, of which $0.3 million was received during the period from January 1, 2012 to June 15, 2012. These payments have been recorded as a reduction of our basis in the Allerton loan. We evaluate the potential impairment of the carrying value of the Allerton loan based on the underlying value of the hotel and as of June 15, 2012, there was no impairment.

6. Capital Stock

Common Shares

On July 9, 2012, we amended our corporate charter to increase the number of shares of common stock, par value $0.01 per share, from 200,000,000 shares to 400,000,000 shares. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Holders of our common stock are entitled to receive dividends out of assets legally available for the payment of dividends when authorized by our board of directors.

Follow-On Public Offering. On July 11, 2012, we completed a follow-on public offering of our common stock. We sold 20,000,000 shares of our common stock for net proceeds to us, after deduction of offering costs, of approximately $200.1 million. The net proceeds from the offering were used to purchase a portfolio of four hotels (the “Portfolio Acquisition”) from affiliates of Blackstone Real Estate Partners VI (the "Sellers").

Private Placement. On July 12, 2012, in connection with the closing of the Portfolio Acquisition, we issued to an affiliate of the Sellers (the “Holder”) 7,211,538 shares of our common stock which is equal to $75 million divided by the closing sale price of our common stock on the New York Stock Exchange, or NYSE, on July 9, 2012. The Holder and the Company entered into a Registration Rights and Lock-Up Agreement which, among other things, requires the Company to use its best efforts to file a re-sale “shelf” registration statement registering the Holder's resale of the shares and subjects these shares to a 150-day lock-up period.

Dividends. We have paid the following dividends to holders of our common stock during 2012 as follows:

Payment Date	Record Date	Dividend per Share
January 10, 2012	December 30, 2011	$0.08
April 4, 2012	March 23, 2012	$0.08
May 29, 2012	May 15, 2012	$0.08

Preferred Shares

We are authorized to issue up to 10,000,000 shares of preferred stock, $0.01 par value per share. Our board of directors is required to set for each class or series of preferred stock the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption. As of June 15, 2012 and December 31, 2011, there were no shares of preferred stock outstanding.

Operating Partnership Units

Holders of operating partnership units have certain redemption rights, which enable them to cause our operating partnership to redeem their units in exchange for cash per unit equal to the market price of our common stock, at the time of redemption, or, at our option for shares of our common stock on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the limited partners or our stockholders. As of June 15, 2012 and December 31, 2011, there were no operating partnership units held by unaffiliated third parties.

7. Stock Incentive Plans

We are authorized to issue up to 8,000,000 shares of our common stock under our 2004 Stock Option and Incentive Plan, as amended (the “Incentive Plan”), of which we have issued or committed to issue 3,240,581 shares as of June 15, 2012. In addition to these shares, additional shares of common stock could be issued in connection with the market stock unit awards as further described below and the stock appreciation rights issued in 2008. On May 3, 2012, we issued (i) 12,104 shares of common stock and (ii) 18,156 deferred stock units to our board of directors having an aggregate value of $325,000, based on the closing stock price for our common stock on such day.

Restricted Stock Awards

Restricted stock awards issued to our officers and employees generally vest over a 3-year period from the date of the grant based on continued employment. We measure compensation expense for the restricted stock awards based upon the fair market value of our common stock at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying condensed consolidated statements of operations. A summary of our restricted stock awards from January 1, 2012 to June 15, 2012 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2012	1,010,127	$ 6.97
Granted	365,599	9.84
Additional shares from dividends	7,541	10.07
Vested	(690,718)	5.36
Unvested balance at June 15, 2012	692,549	$ 10.09

The remaining share awards are expected to vest as follows: 5,841 shares during 2012, 343,676 during 2013, 221,163 during 2014, and 121,869 during 2015. As of June 15, 2012, the unrecognized compensation cost related to restricted stock awards was $5.9 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 26 months. We recorded $0.8 million and $0.9 million, respectively, of compensation expense related to restricted stock awards for each of the fiscal quarters ended June 15, 2012 and June 17, 2011. For the periods from January 1, 2012 to June 15, 2012 and January 1, 2011 to June 17, 2011, we recorded $1.6 million and $1.7 million, respectively, of compensation expense related to restricted stock awards.

Market Stock Units

We have awarded market stock units (“MSUs”) to our executive officers. MSUs are restricted stock units that are earned three years from the date of grant, subject to the achievement of certain levels of total stockholder return over the performance period (the "Performance Period"). Each executive officer is granted a target number of MSUs (the “Target Award”). The actual number of MSUs that will be earned, if any, and converted to shares of common stock at the end of the Performance Period is equal to the Target Award multiplied by a conversion ratio. The conversion ratio is calculated by dividing the 30-trading day average closing price of our common stock on the last day of the Performance Period plus dividends paid by the 30-trading day average closing price of our common stock on the date of grant. The target award is then multiplied by the conversion ratio. The maximum payout to an executive officer under an award is equal to 150% of the Target Award and no shares are earned if the conversion ratio is less than 50%. The number of shares that are earned at the end of the Performance Period also includes an additional number of shares of common stock to reflect dividends that would have been paid during the Performance Period on the number of MSUs actually earned. The fair values of the MSU awards are determined using a Monte Carlo simulation. A summary of our MSUs from January 1, 2012 to June 15, 2012 is as follows:

	Number of Units	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2012	161,575	$ 11.45
Granted	89,990	11.14
Additional units from dividends	5,249	10.07
Unvested balance at June 15, 2012	256,814	$ 11.32

As of June 15, 2012, the unrecognized compensation cost related to the MSUs was $1.6 million and is expected to be recognized on a straight-line basis over a weighted average period of 26 months. For the fiscal quarters ended June 15, 2012 and June 17, 2011, we recorded approximately $0.2 million and $0.1 million, respectively, of compensation expense related to the MSUs. For the periods from January 1, 2012 to June 15, 2012 and January 1, 2011 to June 17, 2011, we recorded $0.4 million and $0.2 million, respectively, of compensation expense related to market stock units.

8. Earnings (Loss) Per Share

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

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

	Fiscal Quarter Ended		Period from	
Numerator:	June 15, 2012	June 17, 2011	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011
Income (loss) from continuing operations	$ 8,944	$ (729)	$ (1,023)	$ (11,591)
Income (loss) from discontinued operations	—	173	12,582	(8)
Net income (loss)	$ 8,944	$ (556)	$ 11,559	$ (11,599)
Denominator:				
Weighted-average number of common shares outstanding—basic	167,968,579	167,404,379	167,818,564	165,701,061
Effect of dilutive securities:				
Unvested restricted common stock	91,483	—	170,324	—
Shares related to unvested MSUs	265,980	—	265,980	—
Weighted-average number of common shares outstanding—diluted	168,326,042	167,404,379	168,254,868	165,701,061
Basic earnings (loss) per share:				
Continuing operations	$ 0.05	$ (0.00)	$ (0.01)	$ (0.07)
Discontinued operations	—	0.00	0.08	(0.00)
Total	$ 0.05	$ (0.00)	$ 0.07	$ (0.07)
Diluted earnings (loss) per share:				
Continuing operations	$ 0.05	$ (0.00)	$ (0.01)	$ (0.07)
Discontinued operations	—	0.00	0.08	(0.00)
Total	$ 0.05	$ (0.00)	$ 0.07	$ (0.07)

We did not include the following shares in our calculation of diluted loss per share as they would be anti-dilutive:

	Fiscal Quarter Ended		Period from	
	June 15, 2012	June 17, 2011	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011
Unvested restricted common stock	—	663,457	—	747,280
Unexercised stock appreciation rights	262,461	262,461	262,461	262,461
Shares related to unvested MSUs	—	171,515	—	171,515
Total	262,461	1,097,433	262,461	1,181,256

9. Debt

The following table sets forth information regarding the Company’s debt as of June 15, 2012 (unaudited), in thousands:

Property	Principal Balance	Interest Rate
Courtyard Manhattan / Midtown East	$ 42,122	8.81%
Marriott Salt Lake City Downtown	29,436	5.50%
Courtyard Manhattan / Fifth Avenue	50,445	6.48%
Renaissance Worthington	55,126	5.40%
Frenchman's Reef & Morning Star Marriott Beach Resort	59,174	5.44%
Marriott Los Angeles Airport	82,600	5.30%
Orlando Airport Marriott	57,964	5.68%
Chicago Marriott Downtown Magnificent Mile	212,922	5.975%
Hilton Minneapolis	98,016	5.464%
JW Marriott Denver at Cherry Creek	41,354	6.47%
Lexington Hotel New York	170,368	LIBOR + 3.00% (3.24% at June 15, 2012)
Debt premium	1,097	
Total mortgage debt	900,624	
Senior unsecured credit facility	—	LIBOR + 2.75% (2.99% at June 15, 2012)
Total debt	$ 900,624	
Weighted-Average Interest Rate		5.49%

Mortgage Debt

We have incurred limited recourse, property specific mortgage debt in conjunction with certain of our hotels. In the event of default, the lender may only foreclose on the pledged assets; however, in the event of fraud, misapplication of funds or other customary recourse provisions, the lender may seek payment from us. As of June 15, 2012, 11 of our 23 hotels were secured by mortgage debt. Our mortgage debt contains certain property specific covenants and restrictions, including minimum debt service coverage ratios that trigger "cash trap" provisions as well as restrictions on incurring additional debt without lender consent. As of June 15, 2012, we are in compliance with the financial covenants of our mortgage debt.

On February 7, 2012, we prepaid in full the $27.0 million mortgage loan secured by the Courtyard Denver Downtown without a prepayment penalty. In connection with the prepayment, we wrote off the unamortized debt premium of $0.1 million associated with the mortgage and recorded a gain on early extinguishment of debt.

On March 9, 2012, we closed on a limited recourse $170.4 million loan secured by a mortgage on the Lexington Hotel New York. The loan has a term of three years and may be extended for two additional one-year terms subject to the satisfaction of certain terms and conditions, including the payment of an extension fee. The loan bears interest at a floating rate of one-month LIBOR plus 300 basis points. The financing includes $25 million of corporate recourse, which will be eliminated when the hotel achieves a specific debt yield test, the planned capital renovation for the hotel is completed and certain other conditions are met. In connection with the loan, we entered into a three-year interest rate cap agreement, which caps one-month LIBOR at 125 basis points. The cost of the interest rate cap was $0.9 million and is included in prepaid and other assets on the accompanying condensed consolidated balance sheet. Each reporting period the carrying value is adjusted to fair market value, with the accompanying charge or credit to interest expense. As of June 15, 2012, the fair market value of the interest rate cap was $0.3 million (see Note 12).

On March 23, 2012, in connection with the sale of a three-hotel portfolio, the buyer assumed $97 million of mortgage debt secured by the Renaissance Waverly and $83 million of mortgage debt secured by the Renaissance Austin.

Senior Unsecured Credit Facility

We are party to a $200.0 million unsecured credit facility, which expires in August 2014. The maturity date of the facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain other customary conditions. We also have the right to increase the amount of the facility up to $400 million with lender approval. Interest is paid on the periodic advances under the facility at varying rates, based upon LIBOR, plus an agreed upon additional margin amount.

The applicable margin is based upon the Company's ratio of net indebtedness to EBITDA, as follows:

Ratio of Net Indebtedness to EBITDA	Applicable Margin
Less than 4.00 to 1.00	2.25%
Greater than or equal to 4.00 to 1.00 but less than 5.00 to 1.00	2.50%
Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	2.75%
Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	3.00%
Greater than or equal to 6.00 to 1.00	3.25%

In addition to the interest payable on amounts outstanding under the facility, we are required to pay an amount equal to 0.40% of the unused portion of the facility if the unused portion of the facility is greater than 50% or 0.30% if the unused portion of the facility is less than or equal to 50%.

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

	Covenant	Actual at June 15, 2012
Maximum leverage ratio (1)	60%	49.1%
Minimum fixed charge coverage ratio (2)	1.50x	2.1x
Minimum tangible net worth (3)	$1.8 billion	$1.96 billion
Secured recourse indebtedness	$25 million	$25 million

(1) Leverage ratio is total indebtedness, as defined in the credit agreement which includes our commitment on the Times Square development hotel, divided by total asset value, defined in the credit agreement as a) total cash and cash equivalents plus b) the value of our owned hotels based on hotel net operating income divided by an 8.5% capitalization rate, and (c) the book value of the Allerton loan.

(2) Fixed charge coverage ratio is Adjusted EBITDA, defined in the credit agreement as EBITDA less FF&E reserves, for the most recently ending 12 fiscal months, to fixed charges, defined in the credit agreement as interest expense, all regularly scheduled principal payments and payments on capitalized lease obligations, for the same most recently ending 12 fiscal month period.

(3) Tangible net worth, as defined in the credit agreement, is (i) total gross book value of all assets, exclusive of depreciation and amortization, less intangible assets, total indebtedness, and all other liabilities, plus (ii) 85% of net proceeds from future equity issuances.

The facility requires us to maintain a specific pool of unencumbered borrowing base properties. The unencumbered borrowing base assets are subject, among other restrictions, to the following limitations and covenants:

- A minimum of 5 properties with an unencumbered borrowing base value, as defined in the credit agreement, of not less than $250 million.
- The unencumbered borrowing base must include the Westin Boston Waterfront, the Conrad Chicago and the Vail Marriott Mountain Resort and Spa. The Conrad Chicago and the Vail Marriott Mountain Resort and Spa may be released from the unencumbered borrowing base upon lender approval and satisfaction of certain other conditions.

In conjunction with the closing of the $170.4 million loan secured by the Lexington Hotel New York, we repaid in full the outstanding balance on the facility. In addition, the $100.0 million mortgage secured by the Lexington Hotel New York was released as security for the facility.

As of June 15, 2012, we had no borrowings outstanding under the facility and the Company's ratio of net indebtedness to EBITDA was 4.9x. Accordingly, interest on any draws under the facility will be based on LIBOR plus 250 basis points for the next fiscal quarter. We incurred interest and unused credit facility fees on the facility of $0.2 million and $0.5 million for our fiscal quarters ended June 15, 2012 and June 17, 2011, respectively. Subsequent to June 15, 2012, we borrowed $120.0 million under the facility to partially fund the Portfolio Acquisition.

10. Dispositions

On March 23, 2012, we completed the sale of a three-hotel portfolio for a contractual sales price of $262.5 million to an

unaffiliated third party. The portfolio consists of the Griffin Gate Marriott Resort and Spa, the Renaissance Waverly, and the Renaissance Austin. We received net cash proceeds of approximately $93 million from the sale and the buyer assumed $97 million of mortgage debt secured by the Renaissance Waverly and $83 million of mortgage debt secured by the Renaissance Austin. The proceeds included approximately $10 million for hotel working capital and cash previously held in restricted escrow accounts, net of closing costs.

We recorded a gain on the sale of the portfolio, net of tax, of approximately $10.0 million. The gain on sale is recorded in discontinued operations on the accompanying condensed consolidated statements of operations. The following table summarizes the components of discontinued operations in the condensed consolidated statements of operations for the periods presented (unaudited, in thousands):

	Fiscal Quarter Ended		Period from	
	June 15, 2012	June 17, 2011	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011
Hotel revenues	$ —	$ 19,338	$ 19,602	$ 37,850
Hotel operating expenses	—	(14,239)	(14,415)	(28,175)
Operating income	—	5,099	5,187	9,675
Depreciation and amortization	—	(2,795)	—	(5,598)
Interest income	—	4	1	11
Interest expense	—	(2,325)	(2,297)	(4,650)
Income tax (expense) benefit	—	190	(326)	554
Gain on sale of hotel portfolio, net of tax	—	—	10,017	—
Income (loss) from discontinued operations	$ —	$ 173	$ 12,582	$ (8)

11. Acquisitions

On July 12, 2012, we acquired a portfolio of four hotels for a contractual purchase price of $495 million from affiliates of Blackstone Real Estate Partners VI. The portfolio consists of the 362-room Hilton Boston Downtown, the 406-room Westin Washington, D.C. City Center, the 436-room Westin San Diego and the 258-room Hilton Burlington. We funded the Portfolio Acquisition with a combination of approximately $120 million in borrowings under our senior unsecured credit facility, $100 million of available corporate cash, net proceeds from our recent follow-on public offering of common stock and the issuance of 7,211,538 shares of common stock to an affiliate of the Sellers in a private placement.

We are currently in the process of determining the allocation of the portfolio purchase price based on the fair values of the assets and liabilities acquired.

12. Fair Value of Financial Instruments

The fair value of certain financial assets and liabilities and other financial instruments as of June 15, 2012 (unaudited) and December 31, 2011, in thousands, are as follows:

	June 15, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Note receivable	$ 54,485	$ 55,000	$ 54,788	$ 55,000
Debt	$ 900,624	$ 928,575	$ 1,042,933	$ 1,060,830
Interest rate cap	$ 333	$ 333	$ —	$ —

The fair value of our mortgage debt is a Level 2 measurement under the fair value hierarchy (see Note 2). We estimate the fair value of our mortgage debt by discounting the future cash flows of each instrument at estimated market rates. The fair value of our interest rate cap is a Level 2 measurement under the fair value hierarchy. We estimate the fair value of the interest rate cap based on the LIBOR yield curve and implied market volatility as inputs and adjusted for the counterparty's credit risk. We concluded the inputs for the credit risk valuation adjustment are Level 3 inputs, however these inputs are not significant to the fair value measurement in its entirety. The fair value of our note receivable is a Level 2 measurement under the fair value hierarchy. We estimate the fair value of our note receivable by discounting the future cash flows related to the note at estimated market rates.

The underlying collateral of the note receivable has a fair value greater than the carrying value of the note receivable. The carrying value of our other financial instruments approximates fair value due to the short-term nature of these financial instruments.

13. Commitments and Contingencies

Litigation

Except as described below, we are not involved in any material litigation nor, to our knowledge, is any material litigation pending or threatened against us. We are involved in routine litigation arising out of the ordinary course of business, all of which is expected to be covered by insurance and is not expected to have a material adverse impact on our financial condition or results of operations.

Allerton Loan

We hold the senior mortgage loan secured by the Allerton Hotel, located in downtown Chicago, Illinois. The loan matured in January 2010 and is in default. In May 2011, the borrower under the loan filed for bankruptcy protection in the Northern District of Illinois under chapter 11 of Title 11 of the U.S. Code, 11 U.S.C. §§ 101 et seq., as amended. The senior mortgage loan is secured by substantially all of the assets of the borrower, including the Allerton Hotel. The filing of the bankruptcy case had the effect of, among other things, automatically staying the foreclosure proceedings that had been previously filed against the borrower. The borrower filed a plan of reorganization with the bankruptcy court in December 2011 and a disclosure statement with the bankruptcy court in January 2012 (together, the "Plan"). In March 2012, the Plan was approved for submission to the creditors for a vote to approve the Plan. The creditors approved the Plan and the Plan is subject to a confirmation hearing, which began on July 23, 2012. While we continue to vigorously pursue our rights in the bankruptcy case, the potential outcome is uncertain.

In August 2011, we filed a claim in New York State court under a so-called “bad boy guarantee” against an affiliate of the borrower for certain damages incurred as a result of the bankruptcy filing. In January 2012, the New York State court granted summary judgment in our favor, finding the guarantor liable for legal fees incurred by the Company arising out of the bankruptcy filing and we are preparing for a hearing on the reasonableness of the amount of fees. No assurance can be given, however, that we will be successful in collecting the amounts due to us upon a determination of the amount of damages due to us.

Los Angeles Airport Marriott Litigation

During 2011, we accrued $1.7 million for our contribution to the settlement of litigation involving the Los Angeles Airport Marriott. The settlement was recorded as a corporate expense during the year ended December 31, 2011. The Company and certain other defendants reached a tentative settlement of the matter, which involved claims by certain employees at the Los Angeles Airport Marriott. The settlement is pending final approval by the Superior Court of California, Los Angeles County and during the fiscal quarter ended June 15, 2012, we paid our contribution to the settlement into escrow.

Performance Termination Provisions Under Management Agreements

Our management agreements provide us with termination rights upon a manager's failure to meet certain financial performance criteria. Our termination rights may, in certain cases, be waived in exchange for consideration from the manager, such as a cure payment. Based on our forecast and the hotel's budget, the Oak Brook Hills Marriott Resort is at risk of failing its performance test at the end of 2012.

The Orlando Airport Marriott failed the performance test under the management agreement at the end of 2011. In July 2012, we amended the management agreement, which reduces the annual base management fee paid to the manager for each of fiscal years 2012 and 2013 from 3% to 2% of gross revenues should the hotel's annual debt service amount exceed hotel operating profit with respect to each such fiscal year. Should we exercise our termination rights based on the hotel failing the performance test in 2012 and 2013, we are required to repay the manager the 1% unpaid base management fees, if any, resulting from such fiscal years.

Income Taxes

We had no accruals for tax uncertainties as of June 15, 2012 and December 31, 2011. As of June 15, 2012, all of our federal income tax returns and state tax returns for the jurisdictions in which our hotels are located remain subject to examination by the respective jurisdiction tax authorities.

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

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. These forward-looking statements are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions, whether in the negative or affirmative. Forward-looking statements are based on management's current expectations and assumptions and are not guarantees of future performance. Factors that may cause actual results to differ materially from current expectations include, but are not limited to, the risks discussed herein and the risk factors discussed from time to time in our periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2011. Accordingly, there is no assurance that the Company's expectations will be realized. Except as otherwise required by the federal securities laws, the Company disclaims any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this report to reflect events, circumstances or changes in expectations after the date of this report.

Overview

DiamondRock Hospitality Company is a lodging-focused Maryland corporation operating as a real estate investment trust (REIT). As of June 15, 2012, we owned a portfolio of 23 premium hotels and resorts that contain 10,406 guest rooms. We also hold the senior note on a mortgage loan secured by an additional hotel and have the right to acquire, upon completion, a hotel under development. On July 12, 2012, we acquired a portfolio of four hotels containing 1,462 guest rooms. As an owner, rather than an operator, of lodging properties, we receive all of the operating profits or losses generated by the hotels after the payment of fees due to hotel managers, which are calculated based on the revenues and profitability of each hotel.

Our vision is to be the premier allocator of capital in the lodging industry. Our mission is to deliver long-term stockholder returns through a combination of dividends and enduring capital appreciation. Our strategy is to utilize disciplined capital allocation and focus on the acquisition, ownership and asset management of high quality, branded lodging properties with superior growth prospects in North American markets with high barriers to entry.

We differentiate ourselves from our competitors by adhering to three basic principles in executing our strategy:

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

In addition, we are committed to enhancing the value of the Company's platform by being open and transparent in our communications with stockholders, scrutinizing our corporate overhead and adopting and following sound corporate governance practices.

Consistent with our strategy, we continue to direct our energies toward opportunistic investments in premium full-service hotels and premium urban limited-service hotels located throughout North America. Each of our hotels is managed by a third party and most are operated under a brand owned by one of the leading global lodging brand companies (Marriott International, Inc. ("Marriott"), Starwood Hotels & Resorts Worldwide, Inc. ("Starwood") or Hilton Worldwide ("Hilton")).

High Quality Urban- and Destination Resort-Focused Branded Hotel Real Estate

We currently own 27 premium hotels and resorts throughout North America. Our hotels and resorts are primarily categorized as upper upscale as defined by Smith Travel Research and are generally located in high barrier-to-entry markets with multiple demand generators.

Our properties are concentrated in four major gateway cities (New York City, Chicago, Boston and Los Angeles) and in destination resort locations (such as the U.S. Virgin Islands and Vail, Colorado). We consider lodging properties located in key gateway cities and resort destinations to be most capable of creating dynamic cash flow growth and achieving superior long-term capital appreciation. We also believe that these locations are better insulated from new supply due to relatively high barriers-to-entry, including expensive construction costs and limited development sites.

We critically evaluate each potential acquisition to ensure that the prospective asset is aligned with the vision we have set forth, supports our mission and corresponds with our strategy. Furthermore, we regularly analyze our portfolio to identify weaknesses therein and to strategize for the disposition of non-key assets in order to recycle capital for additional acquisitions.

A core tenet of our strategy is to leverage the top global hotel brands. We strongly believe that the largest global hotel brands create significant value as a result of each brand's ability to produce incremental revenue and that, as a result, branded hotels are able to generate greater profits than similar unbranded hotels. The dominant global hotel brands typically have very strong reservation and reward systems and sales organizations, and most of our hotels are operated under a brand owned by one of the leading global lodging brand companies (Marriott, Starwood or Hilton). Generally, we are interested in owning hotels that are currently operated under, or can be converted to, a globally recognized brand. However, we would own or acquire non-branded hotels in certain top-tier or unique markets if we believe that the returns on these hotels would be higher than if the hotels were operated under a globally recognized brand.

Innovative Asset Management

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

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

We continue to explore strategic options to maximize the growth of revenue and profitability. We persist in impressing upon our hotel managers the importance of limiting increases in property-level operating expenses. We maintain our practice of working closely with managers to optimize business at our hotels in order to maximize revenue and we remain committed to the objective of maintaining conservative corporate expenses.

We believe we can create significant value in our portfolio through innovative asset management strategies such as rebranding, renovating and repositioning and we engage in a process of regular evaluations of our portfolio in order to determine if there are opportunities to employ these value-add strategies.

Conservative Capital Structure

Since our formation in 2004, we have been committed to a conservative capital structure with prudent leverage. Our current outstanding debt consists of fixed interest rate mortgage debt with no maturities until late 2014, the variable interest rate loan secured by the Lexington Hotel New York, and borrowings on our senior unsecured credit facility. We also maintain low financial leverage by often funding a portion of our acquisitions with proceeds from the issuance of equity. We prefer that a significant portion of our portfolio remain unencumbered by debt in order to provide maximum balance sheet flexibility. In addition, to the extent that we incur additional debt, our preference is limited recourse secured mortgage debt. We expect that our strategy will enable us to maintain a balance sheet with an appropriate amount of debt throughout all phases of the lodging cycle. We believe that it is not prudent to increase the inherent risk of highly cyclical lodging fundamentals through use of a highly leveraged capital structure.

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

At all times, we actively review and manage the sources and uses of our funds in order to mitigate our exposure to economic risks and to maximize returns for our investors. In response to volatility in the financial markets during the last several years, we have undertaken additional measures in order to navigate the challenges created thereby and we are continuously evaluating and

updating these measures in order to effectively address evolving economic, social and political climates. Our ultimate goal in this regard is to create and maintain long-term stockholder value.

Key Indicators of Financial Condition and Operating Performance

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

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

Occupancy, ADR and RevPAR are commonly used measures within the hotel industry to evaluate operating performance. RevPAR, which is calculated as the product of ADR and occupancy percentage, is an important statistic for monitoring operating performance at the individual hotel level and across our business as a whole. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a company-wide and regional basis. ADR and RevPAR include only room revenue. Room revenue comprised approximately 68% of total revenues for the quarter ended June 15, 2012 and approximately 69% of total revenues for the period from January 1, 2012 to June 15, 2012, and is dictated by demand, as measured by occupancy percentage, pricing, as measured by ADR, and our available supply of hotel rooms.

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

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

Our Hotels

The following table sets forth certain operating information for each of our hotels owned during the period from January 1, 2012 to June 15, 2012.

Property	Location	Number of Rooms	Occupancy (%)	ADR($)	RevPAR($)	% Change from 2011 RevPAR
Chicago Marriott	Chicago, Illinois	1,198	67.6%	$ 193.36	$ 130.68	9.6%
Los Angeles Airport Marriott	Los Angeles, California	1,004	87.3%	109.98	96.05	8.7%
Hilton Minneapolis (1)	Minneapolis, Minnesota	821	67.5%	130.46	88.09	(1.0%)
Lexington Hotel New York (1) (2)	New York, New York	712	93.3%	184.13	171.70	7.0%
Westin Boston Waterfront Hotel (1)	Boston, Massachusetts	793	68.6%	196.64	134.95	12.5%
Renaissance Waverly Hotel (3)	Atlanta, Georgia	521	73.8%	132.02	97.48	8.2%
Salt Lake City Marriott Downtown	Salt Lake City, Utah	510	68.8%	135.38	93.10	21.3%
Renaissance Worthington	Fort Worth, Texas	504	76.7%	156.28	119.79	—%
Frenchman's Reef & Morning Star Marriott Beach Resort (1)	St. Thomas, U.S. Virgin Islands	502	82.7%	272.42	225.43	8.5%
Renaissance Austin Hotel (3)	Austin, Texas	492	73.9%	154.28	114.06	7.9%
Torrance Marriott South Bay	Los Angeles County, California	487	83.2%	109.92	91.49	10.2%
Orlando Airport Marriott	Orlando, Florida	485	79.2%	110.82	87.81	3.0%
Marriott Griffin Gate Resort (3)	Lexington, Kentucky	409	45.8%	118.51	54.31	9.1%
Oak Brook Hills Marriott Resort	Oak Brook, Illinois	386	54.7%	112.58	61.57	11.6%
Atlanta Westin North at Perimeter (1)	Atlanta, Georgia	372	80.3%	107.84	86.60	14.0%
Vail Marriott Mountain Resort & Spa (1)	Vail, Colorado	344	64.2%	284.27	182.38	4.4%
Marriott Atlanta Alpharetta	Atlanta, Georgia	318	68.3%	140.78	96.13	4.7%
Courtyard Manhattan/Midtown East	New York, New York	312	82.6%	248.19	204.99	5.3%
Conrad Chicago (1)	Chicago, Illinois	311	72.1%	185.34	133.72	(0.7%)
Bethesda Marriott Suites	Bethesda, Maryland	272	64.5%	169.28	109.15	(6.5%)
JW Marriott Denver at Cherry Creek (1) (2)	Denver, Colorado	196	71.4%	218.94	156.39	2.6%
Courtyard Manhattan/Fifth Avenue	New York, New York	185	86.2%	250.04	215.56	5.8%
The Lodge at Sonoma, a Renaissance Resort & Spa	Sonoma, California	182	64.8%	207.18	134.33	9.3%
Courtyard Denver Downtown (1) (2)	Denver, Colorado	177	83.0%	154.07	127.88	19.9%
Hilton Garden Inn Chelsea/New York City (1)	New York, New York	169	93.4%	187.69	175.24	3.6%
Renaissance Charleston	Charleston, South Carolina	166	85.7%	190.30	163.09	10.0%
TOTAL/WEIGHTED AVERAGE		11,828	74.9%	$ 165.39	$ 123.80	7.7%

(1) The hotel reports operations on a calendar month and year basis. The table above includes the operations for the period from January 1, 2012 to May 31, 2012 for the hotel.
(2) The hotel was acquired during 2011.
(3) The hotel was sold on March 23, 2012. The operating information presented for these hotels is for our ownership period of January 1, 2012 to March 23, 2012 and the change from 2011 reflects the change from the comparable period in 2011.

2012 Highlights

Acquisition of Portfolio of Four Hotels. On July 12, 2012, we acquired a portfolio of four hotels (the "Acquisition Portfolio") from affiliates of Blackstone Real Estate Partners VI (the "Sellers") for a contractual purchase price of $495 million (the "Portfolio Acquisition"). The hotels acquired are the 362-room Hilton Boston Downtown, the 406-room Westin Washington, D.C. City Center, the 436-room Westin San Diego and the 258-room Hilton Burlington. We funded the Portfolio Acquisition with a combination of approximately $120 million in borrowings under our senior unsecured credit facility, $100 million of available corporate cash, net proceeds from our recent follow-on public offering of common stock and the issuance of 7, 211,538 shares of common stock to an affiliate of the Sellers (the "Holder") in a private placement.

At the closing of the Portfolio Acquisition, we assumed the rights and obligations of the Sellers under the existing hotel management and franchise agreements with respect to the Westin Washington, D.C. City Center and the Westin San Diego. We entered into new franchise agreements with Hilton with respect to the Hilton Boston Downtown and the Hilton Burlington. We assumed the rights and obligations of the Sellers under the existing management agreement for the Hilton Burlington and we entered into a new management agreement with an affiliate of the Sellers with respect to the Hilton Boston.

Follow-On Public Offering. On July 11, 2012, we completed a follow-on public offering of our common stock. We sold 20,000,000 shares of our common stock for net proceeds to us, after deduction of offering costs, of approximately $200.1 million.

The proceeds from the offering were used to purchase the Acquisition Portfolio.

Sale of Three-Hotel Portfolio. On March 23, 2012, we completed the sale of a three-hotel portfolio for a contractual sales price of $262.5 million. The portfolio consisted of the Griffin Gate Marriott Resort and Spa, the Renaissance Waverly, and the Renaissance Austin. We received net cash proceeds of approximately $93 million and the buyer assumed $97 million of mortgage debt secured by the Renaissance Waverly and $83 million of mortgage debt secured by the Renaissance Austin. As part of the proceeds, we received approximately $10 million for hotel working capital and cash previously held in restricted escrow accounts, net of closing costs. We recorded a gain on the sale of the portfolio of approximately $10.0 million, net of tax, which is reported within discontinued operations.

Rebranding of Lexington Hotel New York. On March 23, 2012, we executed a franchise agreement with Marriott to affiliate the Lexington Hotel New York with Marriott's Autograph Collection upon the completion of a comprehensive $32 million property improvement plan. Separately, we exercised our termination option under the hotel's existing franchise agreement with Radisson Hotels International, Inc., for which we paid a $750,000 termination fee. The hotel will operate under the Radisson brand through September 15, 2012. During the period after the termination of Radisson and prior to becoming affiliated with the Autograph Collection, we expect to operate the hotel as an independent hotel. Highgate Hotels will remain the manager of the hotel.

Lexington Hotel New York Mortgage Loan. On March 9, 2012, we closed on a limited recourse $170.4 million loan secured by a mortgage on the Lexington Hotel New York. The loan has a term of three years and may be extended for two additional one-year terms subject to the satisfaction of certain terms and conditions and the payment of an extension fee. The loan bears interest at a floating rate of one-month LIBOR plus 300 basis points. In connection with the financing, we purchased a three-year 125 basis point LIBOR interest rate cap for approximately $0.9 million.

Prepayment of Courtyard Denver Downtown Mortgage. On February 7, 2012, we prepaid the $27 million mortgage debt secured by the Courtyard Denver Downtown prior to its scheduled maturity in August 2012.

Results of Operations

Comparison of our Fiscal Quarter Ended June 15, 2012 to our Fiscal Quarter Ended June 17, 2011

Our net income for our fiscal quarter ended June 15, 2012 was $8.9 million compared to a net loss of $0.6 million for our fiscal quarter ended June 17, 2011.

Revenue. Revenue consists primarily of the room, food and beverage and other operating revenues from our hotels. Our revenues from continuing operations, which exclude revenues from the three hotels sold on March 23, 2012, increased $35.3 million, from $150.2 million for our fiscal quarter ended June 17, 2011 to $185.5 million for our fiscal quarter ended June 15, 2012. This increase includes amounts that are not comparable quarter-over-quarter as follows:

- $3.8 million increase from the JW Marriott Denver at Cherry Creek, which was purchased on May 19, 2011.
- $13.9 million increase from the Lexington Hotel New York, which was purchased on June 1, 2011.
- $2.4 million increase from the Courtyard Denver Downtown, which was purchased on July 22, 2011.

Individual hotel revenues for our fiscal quarters ended June 15, 2012 and June 17, 2011, respectively, consist of the following (in millions):

	Fiscal Quarter Ended		
	June 15, 2012	June 17, 2011	% Change
Chicago Marriott	$ 26.6	$ 23.7	12.2 %
Westin Boston Waterfront Hotel (1)	21.4	18.7	14.4
Frenchman's Reef & Morning Star Marriott Beach Resort (1)	16.5	10.8	52.8
Lexington Hotel New York (1)	13.9	—	100.0
Los Angeles Airport Marriott	13.8	12.3	12.2
Hilton Minneapolis (1)	12.2	12.4	(1.6)
Renaissance Worthington	8.2	7.5	9.3
Courtyard Manhattan/Midtown East	6.6	6.5	1.5
Conrad Chicago (1)	6.0	6.1	(1.6)
Vail Marriott Mountain Resort & Spa (1)	5.7	5.2	9.6
Torrance Marriott South Bay	5.4	5.0	8.0
Salt Lake City Marriott Downtown	5.3	5.1	3.9
Oak Brook Hills Marriott Resort	5.0	5.6	(10.7)
Orlando Airport Marriott	4.9	4.4	11.4
JW Marriott Denver at Cherry Creek (1) (2)	4.7	0.7	571.4
Atlanta Westin North at Perimeter (1)	4.6	4.2	9.5
The Lodge at Sonoma, a Renaissance Resort & Spa	4.5	4.0	12.5
Bethesda Marriott Suites	3.9	4.3	(9.3)
Courtyard Manhattan/Fifth Avenue	3.9	3.9	—
Marriott Atlanta Alpharetta	3.6	3.6	—
Hilton Garden Inn Chelsea/New York City (1)	3.2	3.2	—
Renaissance Charleston	3.2	3.0	6.7
Courtyard Denver Downtown (1)	2.4	—	100.0
Total	$ 185.5	$ 150.2	23.5 %

(1) The hotel reports operations on a calendar month and year basis. The fiscal quarters ended June 15, 2012 and June 17, 2011 include the months of March, April, and May for the hotel.
(2) The hotel was acquired on May 19, 2011 and the fiscal quarter ended June 17, 2011 includes operations from May 19, 2011 to May 31, 2011.

The following pro forma key hotel operating statistics for our hotels reported in continuing operations for the fiscal quarters ended June 15, 2012 and June 17, 2011, respectively, include the prior year operating statistics for the prior year period comparable to our 2012 ownership period.

	Fiscal Quarter Ended		
	June 15, 2012	June 17, 2011	% Change
Occupancy %	78.7%	77.3%	1.4 percentage points
ADR	$ 177.90	$ 170.00	4.6%
RevPAR	$ 139.98	$ 131.45	6.5%

The increase in RevPAR is attributable to growth in both occupancy and ADR. We experienced occupancy growth in the group and leisure segments, partially offset by a decline in business transient room nights. ADR increased in all customer segments. Group room nights and group ADR both increased 3.1% from 2011. Business transient room nights were 6.6% lower than 2011, but business transient ADR increased 5.2%.

Food and beverage revenues increased $6.1 million from the comparable period in 2011, which includes a $1.5 million increase in revenues from our 2011 acquisitions. The remaining increase of $4.6 million at our comparable hotels is driven by both higher banquet revenue and, to a lesser extent, higher outlet revenue. Other revenues, which primarily represent spa, golf, parking and attrition and cancellation fees, increased $3.5 million, which includes a $1.0 million increase in revenues from our 2011 acquisitions. The remaining increase of $2.5 million is due to our comparable hotels.

Hotel operating expenses. The operating expenses for our fiscal quarters ended June 15, 2012 and June 17, 2011 consists

of the following (in millions):

	Fiscal Quarter Ended		
	June 15, 2012	June 17, 2011	% Change
Rooms departmental expenses	$ 33.4	$ 25.9	29.0 %
Food and beverage departmental expenses	33.2	28.8	15.3
Other departmental expenses	4.7	3.8	23.7
General and administrative	14.8	12.5	18.4
Utilities	5.9	5.6	5.4
Repairs and maintenance	7.8	7.0	11.4
Sales and marketing	13.9	11.3	23.0
Base management fees	4.9	4.9	—
Incentive management fees	1.7	1.5	13.3
Property taxes	7.8	5.8	34.5
Other fixed charges	2.8	2.1	33.3
Ground rent—Contractual	2.0	1.8	11.1
Ground rent—Non-cash	1.5	1.7	(11.8)
Total hotel operating expenses	$ 134.4	$ 112.7	19.3 %

Our hotel operating expenses increased $21.7 million, or 19.3 percent, from $112.7 million for our fiscal quarter ended June 17, 2011 to $134.4 million for our fiscal quarter ended June 15, 2012. The increase in hotel operating expenses includes amounts that are not comparable quarter-over-quarter as follows:

- $2.8 million increase from the JW Marriott Denver, which was purchased on May 19, 2011.
- $8.9 million increase from the Lexington Hotel New York, which was purchased on June 1, 2011.
- $1.3 million increase from the Courtyard Denver Downtown, which was purchased on July 22, 2011.

The remaining increase in operating expenses of $8.7 million at our comparable hotels is primarily due to higher rooms and other departmental costs, driven by labor costs, and increased support costs, primarily driven by sales and marketing expenses. Property taxes also increased $2.0 million, primarily as a result of the expiration of our PILOT program at the Westin Boston Waterfront Hotel and an expected increase in the assessed value of the Chicago Marriott Downtown.

Base management fees are calculated as a percentage of total revenues and incentive management fees are based on the level of operating profit at certain hotels. Although total revenues have increased, base management fees are flat to last year due to the amortization of key money received from Frenchman's Reef and the Conrad Chicago, which reduce base management fees.

Depreciation and amortization. Depreciation and amortization is recorded on our hotel buildings over 40 years for the periods subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense increased $1.7 million from the second fiscal quarter in 2011 to the second fiscal quarter in 2012 due primarily to our 2011 acquisitions, as well as the extensive renovation at Frenchman's Reef.

Impairment of favorable lease asset. During our fiscal quarter ended June 15, 2012, we recorded an impairment loss of $0.5 million on the favorable leasehold asset related to our option to develop a hotel on an undeveloped parcel of land adjacent to the Westin Boston Waterfront Hotel. No impairment loss was recorded during our fiscal quarter ended June 17, 2011.

Corporate expenses. Our corporate expenses increased $0.6 million, from $4.4 million for our fiscal quarter ended June 17, 2011 to $5.0 million for our fiscal quarter ended June 15, 2012. Corporate expenses principally consist of employee-related costs, including base payroll, bonus and restricted stock. Corporate expenses also include corporate operating costs, professional fees and directors' fees. The increase in corporate expenses is due primarily to legal expenses related to the bankruptcy proceedings of the Allerton Hotel.

Hotel acquisition costs. Hotel acquisition costs increased $0.1 million from the quarter ended June 17, 2011 to the quarter ended June 15, 2012. The acquisition costs incurred during the quarter ended June 17, 2011 were due to the acquisitions of the JW Marriott Denver at Cherry Creek and Lexington Hotel New York. The acquisition costs incurred during the quarter ended

June 15, 2012 were primarily due to the Portfolio Acquisition, which was completed on July 12, 2012.

Interest expense. Our interest expense was $12.5 million and $10.0 million for our fiscal quarters ended June 15, 2012 and June 17, 2011, respectively. The increase in interest expense is primarily attributable to the mortgage financing the Lexington Hotel New York, the mortgage loan assumed in our acquisition of the JW Marriott Denver at Cherry Creek and the fair value adjustment to our interest rate cap.

Our interest expense for the fiscal quarters ended June 15, 2012 and June 17, 2011 is comprised of the following (in millions):

	Fiscal Quarter Ended	
	June 15, 2012	June 17, 2011
Mortgage debt interest	$ 11.4	$ 9.4
Credit facility interest and unused fees	0.2	0.5
Amortization of deferred financing costs and debt premium	0.7	0.4
Capitalized interest	(0.3)	(0.3)
Interest rate cap fair value adjustment	0.5	—
	$ 12.5	$ 10.0

As of June 15, 2012, we had property-specific mortgage debt outstanding on eleven of our hotels. Most of our mortgage debt is fixed-rate secured debt bearing interest at rates ranging from 5.30 percent to 8.81 percent per year. The mortgage loan secured by the Lexington Hotel New York bears interest at a floating rate based on one-month LIBOR plus 300 basis points. As of June 15, 2012, we had no outstanding borrowings under our credit facility. Our weighted-average interest rate on all debt as of June 15, 2012 was 5.49 percent.

Interest income. Interest income was $0.2 million for our fiscal quarter ended June 15, 2012 and $0.3 million for our fiscal quarter ended June 17, 2011, respectively. The decrease is primarily due to lower average cash balances during our second fiscal quarter of 2012.

Discontinued operations. Income from discontinued operations for the quarter ended June 17, 2011 represents the results of operations of the three-hotel portfolio sold on March 23, 2012.

Income taxes. We recorded an income tax expense on continuing operations of $1.8 million for our fiscal quarter ended June 15, 2012 and an income tax expense on continuing operations of $3.3 million for our fiscal quarter ended June 17, 2011. The second fiscal quarter 2012 income tax expense includes $1.4 million of income tax expense incurred on the $3.3 million pre-tax income from continuing operations of our taxable REIT subsidiary, or TRS, and $0.4 million of foreign income tax expense incurred on the $2.2 million pre-tax income of the TRS that owns Frenchman's Reef. The second fiscal quarter 2011 income tax expense includes $3.2 million of income tax expense incurred on the $8.1 million pre-tax income from continuing operations of our TRS for our fiscal quarter ended June 17, 2011, and $0.1 million of state franchise taxes.

Comparison of the Period from January 1, 2012 to June 15, 2012 to the Period from January 1, 2011 to June 17, 2011

Our net income for the period from January 1, 2012 to June 15, 2012 was $11.6 million compared to a net loss of $11.6 million for the period from January 1, 2011 to June 17, 2011.

Revenue. Revenue consists primarily of the room, food and beverage and other operating revenues from our hotels. Our revenues from continuing operations, which exclude revenues from the three hotels sold on March 23, 2012, increased $53.1 million, from $253.9 million for the period from January 1, 2011 to June 17, 2011 to $307.0 million for the period from January 1, 2012 to June 15, 2012. This increase includes amounts that are not comparable quarter-over-quarter as follows:

- $6.8 million increase from the JW Marriott Denver at Cherry Creek, which was purchased on May 19, 2011.
- $19.9 million increase from the Lexington Hotel New York, which was purchased on June 1, 2011.
- $3.7 million increase from the Courtyard Denver Downtown, which was purchased on July 22, 2011.

Individual hotel revenues for the period from January 1, 2012 to June 15, 2012 and the period from January 1, 2011 to June 17, 2011, respectively, consist of the following (in millions):

	Period from		
	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011	% Change
Chicago Marriott	$ 39.6	$ 36.1	9.7 %
Westin Boston Waterfront Hotel (1)	28.7	25.0	14.8
Frenchman's Reef & Morning Star Marriott Beach Resort (1)	27.4	20.4	34.3
Los Angeles Airport Marriott	26.9	24.6	9.3
Lexington Hotel New York (1)	19.9	—	100.0
Hilton Minneapolis (1)	18.1	18.6	(2.7)
Renaissance Worthington	16.2	15.9	1.9
Vail Marriott Mountain Resort & Spa (1)	12.5	11.7	6.8
Salt Lake City Marriott Downtown	11.5	9.8	17.3
Courtyard Manhattan/Midtown East	11.2	10.7	4.7
Orlando Airport Marriott	10.5	10.4	1.0
Torrance Marriott South Bay	10.3	9.7	6.2
Oak Brook Hills Marriott Resort	8.9	8.2	8.5
Conrad Chicago (1)	8.0	8.2	(2.4)
Atlanta Westin North at Perimeter (1)	7.6	6.7	13.4
Marriott Atlanta Alpharetta	7.5	7.2	4.2
JW Marriott Denver at Cherry Creek (1) (2)	7.4	0.7	957.1
The Lodge at Sonoma, a Renaissance Resort & Spa	7.3	6.6	10.6
Bethesda Marriott Suites	6.9	7.3	(5.5)
Courtyard Manhattan/Fifth Avenue	6.7	6.5	3.1
Renaissance Charleston	5.5	5.1	7.8
Hilton Garden Inn Chelsea/New York City (1)	4.7	4.5	4.4
Courtyard Denver Downtown (1)	3.7	—	100.0
Total	$ 307.0	$ 253.9	20.9 %

(1) The hotel reports operations on a calendar month and year basis. The table above includes the operations for the period from January 1, 2012 to May 31, 2012 and January 1, 2011 to May 31, 2011, respectively, for the hotel.

(2) The hotel was acquired on May 19, 2011 and the period from January 1, 2011 to June 17, 2011 includes operations from May 19, 2011 to May 31, 2011.

The following pro forma key hotel operating statistics for our hotels reported in continuing operations for the period from January 1, 2012 to June 15, 2012 and the period from January 1, 2011 to June 17, 2011, respectively, include the prior year operating statistics for the prior year period comparable to our 2012 ownership period.

	Period from		
	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011	% Change
Occupancy %	75.5%	72.7%	2.8 percentage points
ADR	$ 167.06	$ 161.15	3.7%
RevPAR	$ 126.10	$ 117.21	7.6%

The increase in RevPAR is attributable to growth in both occupancy and ADR. We experienced occupancy growth in all segments, with the exception of business transient, and ADR increased in all customer segments. Group room revenue increased 7.5% from 2011. Revenue from leisure and contract business increased 23.4% from 2011. Revenue from the business transient segment was flat compared to 2011.

Food and beverage revenues increased $8.1 million from the comparable period in 2011, which includes a $2.4 million increase in revenues from our 2011 acquisitions. The remaining increase of $5.7 million at our comparable hotels is driven by both higher banquet revenue and higher outlet revenue. Other revenues, which primarily represent spa, golf, parking and attrition and cancellation fees, increased $5.0 million, which includes $1.6 million from our 2011 acquisitions. The remaining increase of $3.4 million is due to our comparable hotels.

Hotel operating expenses. The operating expenses for the period from January 1, 2012 to June 15, 2012 and the period from January 1, 2011 to June 17, 2011 consist of the following (in millions):

	Period from		
	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011	% Change
Rooms departmental expenses	$ 58.3	$ 46.1	26.5 %
Food and beverage departmental expenses	57.1	51.4	11.1
Other departmental expenses	8.5	7.0	21.4
General and administrative	26.4	22.8	15.8
Utilities	11.0	10.2	7.8
Repairs and maintenance	14.1	12.8	10.2
Sales and marketing	24.0	19.7	21.8
Base management fees	8.0	7.6	5.3
Incentive management fees	1.8	1.5	20.0
Property taxes	14.4	10.3	39.8
Other fixed charges	5.1	3.9	30.8
Ground rent—Contractual	3.5	3.1	12.9
Ground rent—Non-cash	3.0	3.2	(6.3)
Total hotel operating expenses	$ 235.2	$ 199.6	17.8 %

Our hotel operating expenses increased $35.6 million, or 17.8 percent, from $199.6 million for the period from January 1, 2011 to June 17, 2011 to $235.2 million for the period from January 1, 2012 to June 15, 2012. The increase in hotel operating expenses includes amounts that are not comparable period-over-period as follows:

- $5.1 million increase from the JW Marriott Denver, which was purchased on May 19, 2011.
- $14.4 million increase from the Lexington Hotel New York, which was purchased on June 1, 2011.
- $2.0 million increase from the Courtyard Denver Downtown, which was purchased on July 22, 2011.

The remaining increase in operating expenses of $14.1 million at our comparable hotels is primarily due to higher rooms and other departmental costs, driven by labor costs, and increased support costs, primarily driven by sales and marketing expenses. Property taxes also increased $4.1 million, primarily as a result of the expiration of our PILOT program at the Westin Boston Waterfront Hotel and an increase in the assessed value of the Chicago Marriott Downtown.

Base management fees are calculated as a percentage of total revenues and incentive management fees are based on the level of operating profit at certain hotels. The increase in base management fees is due primarily to the impact of our 2011 acquisitions and higher revenues at our comparable hotels.

Depreciation and amortization. Depreciation and amortization is recorded on our hotel buildings over 40 years for the periods subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense increased $3.7 million from the period from January 1, 2011 to June 17, 2011 to the period from January 1, 2012 to June 15, 2012 due primarily to our 2011 acquisitions, as well as the extensive renovation at Frenchman's Reef.

Impairment of favorable lease asset. During the period from January 1, 2012 to June 15, 2012, we recorded an impairment loss of $0.5 million on the favorable leasehold asset related to our option to develop a hotel on an undeveloped parcel of land adjacent to the Westin Boston Waterfront Hotel. No impairment loss was recorded during the period from January 1, 2011 to June 17, 2011.

Corporate expenses. Our corporate expenses increased $1.1 million, from $8.4 million for the period from January 1, 2011 to June 17, 2011 to $9.5 million for the period from January 1, 2012 to June 15, 2012. Corporate expenses principally consist of employee-related costs, including base payroll, bonus and restricted stock. Corporate expenses also include corporate operating costs, professional fees and directors' fees. The increase in corporate expenses is due primarily to legal expenses related to the bankruptcy proceedings of the Allerton Hotel.

Hotel acquisition costs. The acquisition costs incurred during the period from January 1, 2011 to June 17, 2011 were due to

the acquisitions of the JW Marriott Denver at Cherry Creek and Lexington Hotel New York. The acquisition costs incurred during the period from January 1, 2012 to June 15, 2012 were primarily due to the Portfolio Acquisition, which was completed on July 12, 2012.

Interest expense. Our interest expense was $24.0 million and $18.8 million for the periods from January 1, 2012 to June 15, 2012 and from January 1, 2011 to June 17, 2011, respectively. The increase in interest expense is primarily attributable to the mortgage financings on the Hilton Minneapolis and the Lexington Hotel New York and the mortgage loans assumed in our acquisitions of the JW Marriott Denver at Cherry Creek and the Courtyard Denver Downtown, as well as the fair value adjustment on out interest rate cap.

Our interest expense for the periods from January 1, 2012 to June 15, 2012 and from January 1, 2011 to June 17, 2011 is comprised of the following (in millions):

	Period from	
	January 1, 2012 to June 15, 2012	**January 1, 2011 to June 17, 2011**
Mortgage debt interest	$ 21.8	$ 17.8
Credit facility interest and unused fees	1.0	0.7
Amortization of deferred financing costs and debt premium	1.1	0.8
Capitalized interest	(0.5)	(0.5)
Interest rate cap fair value adjustment	0.6	—
	$ 24.0	$ 18.8

Interest income. Interest income was $0.2 million for the period from January 1, 2012 to June 15, 2012 and $0.6 million for the period from January 1, 2011 to June 17, 2011, respectively. The decrease is primarily due to lower average cash balances during the the period from January 1, 2012 to June 15, 2012.

Discontinued operations. Income from discontinued operations represents the results of operations for the periods from January 1, 2012 to June 15, 2012 and from January 1, 2011 to June 17, 2011 of the three-hotel portfolio sold on March 23, 2012. We recorded a gain on the sale, net of tax, of $10.0 million during the first quarter of 2012.

Income taxes. We recorded an income tax benefit on continuing operations of $3.9 million for the period from January 1, 2012 to June 15, 2012 and an income tax benefit on continuing operations of $0.4 million for the period from January 1, 2011 to June 17, 2011. The income tax benefit for the period from January 1, 2012 to June 15, 2012 includes $4.5 million of income tax benefit incurred on the $11.3 million pre-tax loss from continuing operations of our TRS, partially offset by $0.5 million of foreign income tax expense incurred on the $3.4 million pre-tax income of the TRS that owns Frenchman's Reef and $0.1 million of state franchise taxes. The income tax benefit for the period from January 1, 2011 to June 17, 2011 includes $0.6 million of income tax benefit incurred on the $1.5 million pre-tax loss from continuing operations of our TRS for the period from January 1, 2011 to June 17, 2011, offset by foreign income tax expense of $0.1 million related to the $0.7 million of pre-tax income of the TRS that owns Frenchman’s Reef and $0.1 million of state franchise taxes.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds necessary to fund distributions to our stockholders to maintain our REIT status as well as to pay for operating expenses and other expenditures directly associated with our hotels, including capital expenditures, funding of the renovation escrow account, and scheduled debt payments of interest and principal. We currently expect that our available cash flows, which are generally provided through net cash provided by hotel operations, existing cash balances and, if necessary, short-term borrowings under our credit facility, will be sufficient to meet our short-term liquidity requirements. Some of our mortgage debt agreements contain “cash trap” provisions that are triggered when the hotel’s operating results fall below a certain debt service coverage ratio. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio is reached and maintained for a certain period of time. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional hotels, renovations, expansions and other capital expenditures that need to be made periodically to our hotels, scheduled debt payments and making distributions to our stockholders. We expect to meet our long-term liquidity requirements through various sources of

capital, including cash provided by operations, borrowings, issuances of additional equity or debt securities and proceeds from property dispositions. Our ability to incur additional debt is dependent upon a number of factors, including the state of the credit markets, our degree of leverage, the value of our unencumbered assets and borrowing restrictions imposed by existing lenders. Our ability to raise capital through the issuance of additional equity and/or debt securities is also dependent on a number of factors including the current state of the capital markets, investor sentiment and intended use of proceeds. We may need to raise additional capital if we identify acquisition opportunities that meet our investment objectives.

Our Financing Strategy

Since our formation in 2004, we have been committed to a conservative capital structure with prudent leverage. The majority of our outstanding debt is fixed interest rate mortgage debt with no near-term maturities. We have a preference to maintain a significant portion of our portfolio as unencumbered assets in order to provide balance sheet flexibility. In addition, to the extent that we incur additional debt, our preference is limited recourse secured mortgage debt. This strategy enables us to maintain a balance sheet with a prudent amount of debt. We believe that it is not prudent to increase the inherent risk of a highly cyclical business by maintaining a highly leveraged capital structure.

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

We believe that we maintain a reasonable amount of debt. As of June 15, 2012, we had $900.6 million of debt outstanding with a weighted average interest rate of 5.49% and a weighted average maturity date of approximately 3.8 years and consisted entirely of mortgage debt. After the completion of the Portfolio Acquisition on July 12, 2012, we continue to maintain one of the most durable and lowest levered balance sheets among our lodging REIT peers. We maintain balance sheet flexibility with no near term debt maturities, capacity on our senior unsecured credit facility and 16 of our 27 hotels unencumbered by mortgage debt. We remain committed to our core strategy of maintaining a simple capital structure with conservative leverage.

Short-Term Borrowings

Other than borrowings under our senior unsecured credit facility, we do not utilize short-term borrowings to meet liquidity requirements. As of June 15, 2012, we had no borrowings outstanding under our senior unsecured credit facility. Subsequent to June 15, 2012, we borrowed $120.0 million under the facility to partially fund the Portfolio Acquisition.

Senior Unsecured Credit Facility

We are party to a three-year, $200.0 million unsecured credit facility expiring in August 2014. The maturity date of the facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain other customary conditions. We also have the right to increase the amount of the facility up to $400 million with lender approval. Interest is paid on the periodic advances under the facility at varying rates, based upon LIBOR, plus an agreed upon additional margin amount. The applicable margin is based upon the Company’s ratio of net indebtedness to EBITDA, as follows:

Ratio of Net Indebtedness to EBITDA	Applicable Margin
Less than 4.00 to 1.00	2.25%
Greater than or equal to 4.00 to 1.00 but less than 5.00 to 1.00	2.50%
Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	2.75%
Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	3.00%
Greater than or equal to 6.00 to 1.00	3.25%

In addition to the interest payable on amounts outstanding under the facility, we are required to pay an amount equal to 0.40% of the unused portion of the facility if the unused portion of the facility is greater than 50% or 0.30% if the unused portion of the facility is less than or equal to 50%.

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

	Covenant	Actual at June 15, 2012
Maximum leverage ratio (1)	60%	49.1%
Minimum fixed charge coverage ratio (2)	1.50x	2.1x
Minimum tangible net worth (3)	$1.8 billion	$1.96 billion
Secured recourse indebtedness	$25 million	$25 million

(1) Leverage ratio is total indebtedness, as defined in the credit agreement which includes our commitment on the Times Square development hotel, divided by total asset value, defined in the credit agreement as a) total cash and cash equivalents plus b) the value of our owned hotels based on hotel net operating income divided by an 8.5% capitalization rate, and (c) the book value of the Allerton loan.

(2) Fixed charge coverage ratio is Adjusted EBITDA, defined in the credit agreement as EBITDA less FF&E reserves, for the most recently ending 12 fiscal months, to fixed charges, defined in the credit agreement as interest expense, all regularly scheduled principal payments and payments on capitalized lease obligations, for the same most recently ending 12 fiscal month period.

(3) Tangible net worth, as defined in the credit agreement, is (i) total gross book value of all assets, exclusive of depreciation and amortization, less intangible assets, total indebtedness, and all other liabilities, plus (ii) 85% of net proceeds from future equity issuances.

The facility requires us to maintain a specific pool of unencumbered borrowing base properties. The unencumbered borrowing base assets are subject, among other restrictions, to the following limitations and covenants:

- A minimum of five properties with an unencumbered borrowing base value, as defined in the credit agreement, of not less than $250 million.

- The unencumbered borrowing base must include the Westin Boston Waterfront, the Conrad Chicago and the Vail Marriott Mountain Resort and Spa. The Conrad Chicago and the Vail Marriott Mountain Resort and Spa may be released from the unencumbered borrowing base upon lender approval and satisfaction of certain other conditions.

In conjunction with the closing of the $170.4 million loan secured by the Lexington Hotel New York, we repaid in full the outstanding balance on the facility. In addition, the $100.0 million mortgage secured by the Lexington Hotel New York was released as security for the facility.

As of June 15, 2012, we had no borrowings outstanding under the facility and the Company's ratio of net indebtedness to EBITDA was 4.9x. Accordingly, interest on any draws under the facility will be based on LIBOR plus 250 basis points for the next fiscal quarter. We incurred interest and unused credit facility fees on the facility of $0.2 million and $0.5 million for our fiscal quarters ended June 15, 2012 and June 17, 2011. Subsequent to June 15, 2012, we borrowed $120.0 million under the facility to partially fund the Portfolio Acquisition.

Sources and Uses of Cash

Our principal sources of cash are net cash flow from hotel operations, borrowings under mortgage debt and our credit facility and the proceeds from our equity offerings. Our principal uses of cash are acquisitions of hotel properties, debt service, capital expenditures, operating costs, corporate expenses and dividends.

As of June 15, 2012, we had $104.8 million of unrestricted corporate cash, $61.0 million of restricted cash and $200 million of borrowing capacity under our credit facility.

Our net cash provided by operations was $18.8 million for the period from January 1, 2012 to June 15, 2012. Our cash from operations generally consists of the net cash flow from hotel operations offset by cash paid for corporate expenses, cash paid for interest, funding of lender escrow reserves and other working capital changes.

Our net cash provided by investing activities was $70.3 million for the period from January 1, 2012 to June 15, 2012 primarily as a result of the sale of the three-hotel portfolio ($92.6 million). Cash used in investing activities consisted primarily of capital expenditures at our hotels ($15.2 million) and the additional deposits on the to-be-developed hotel in Times Square ($1.9 million).

Our net cash used in financing activities was $10.6 million for the period from January 1, 2012 to June 15, 2012 and consisted of $170.4 million of proceeds from mortgage financing of the Lexington Hotel New York, offset by the net $100.0 million repayment of our credit facility, the $27.0 million prepayment of the mortgage debt secured by the Courtyard Denver Downtown, payment

of cash dividends, payment of regularly scheduled mortgage principal payments and payment of financing costs for the Lexington Hotel New York mortgage loan.

In addition to the sources of cash discussed above with respect to proceeds from the sale of the three-hotel portfolio and the mortgage debt financing on the Lexington Hotel New York, we currently expect our estimated significant sources of cash for the remainder of the year ending December 31, 2012 will be comprised of our follow-on public offering, borrowings under our senior unsecured credit facility, and net cash flow from hotel operations. We expect our estimated uses of cash for the remainder of the year ending December 31, 2012 will be comprised of the payment of the cash consideration portion of the Portfolio Acquisition, regularly scheduled debt service payments; payment of cash dividends, which are subject to board approval; capital expenditures, which are described further below; and corporate expenses.

Dividend Policy

We intend to distribute to our stockholders dividends at least equal to our REIT taxable income so as to avoid paying corporate income tax and excise tax on our earnings (other than the earnings of our TRS and TRS lessees, which are all subject to tax at regular corporate rates) and to qualify for the tax benefits afforded to REITs under the Internal Revenue Code of 1986, as amended, or the Code. In order to qualify as a REIT under the Code, we generally must make distributions to our stockholders each year in an amount equal to at least:

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

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

We have paid the following dividends to holders of our common stock during 2012 as follows:

Payment Date	Record Date	Dividend per Share
January 10, 2012	December 30, 2011	$0.08
April 4, 2012	March 23, 2012	$0.08
May 29, 2012	May 15, 2012	$0.08

Capital Expenditures

The management and franchise agreements for each of our hotels provide for the establishment of separate property improvement funds to cover, among other things, the cost of replacing and repairing furniture and fixtures at our hotels. Contributions to the property improvement fund are calculated as a percentage of hotel revenues. In addition, we may be required to pay for the cost of certain additional improvements that are not permitted to be funded from the property improvement fund under the applicable management or franchise agreement. As of June 15, 2012, we have set aside $49.6 million for capital projects in property improvement funds, which are included in restricted cash. Funds held in property improvement funds for one hotel are typically not permitted to be applied to any other property. We spent approximately $15.2 million on capital improvements during the period from January 1, 2012 to June 15, 2012.

During 2012, we have commenced or plan to commence approximately $50 million of capital improvements, approximately $20 million of which will be funded from corporate cash. Our significant projects for 2012 include the following:

- ***Conrad Chicago.*** We expect to spend $3.5 million to add 4,100 square feet of new meeting space, reposition the food and beverage outlets and re-concept the hotel lobby. The addition of the new meeting space is scheduled to be completed by the end of the summer of 2012 and the lobby repositioning in the first quarter of 2013.
- ***Renaissance Worthington.*** We expect to spend $1.2 million over the next two years to undertake a comprehensive repair of the concrete façade of the hotel.

- ***Marriott Atlanta Alpharetta.*** We expect to spend $2.4 million to renovate the guest rooms at the hotel during the third quarter of 2012.
- ***Frenchman's Reef.*** We expect to spend $1.6 million to renovate certain guest rooms and replace the boat dock at the hotel. We expect these projects to be completed in early 2013.

In connection with executing the rebranding strategy at the Lexington Hotel, we are currently planning a comprehensive renovation of the hotel, including the lobby, corridors, guest rooms and guest bathrooms. The cost of the renovation is expected to be approximately $32 million and completed during the first half of 2013.

We are continuing to evaluate an extensive renovation project at the Chicago Marriott Downtown that, if approved, is expected to be completed in subsequent years.

In connection with the Portfolio Acquisition, we expect to spend approximately $56 million for capital improvements at the Acquisition Portfolio over the next 60 months, including approximately $30 million to $35 million in the first two years of our ownership.

Off-Balance Sheet Arrangements

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

Non-GAAP Financial Measures

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

EBITDA and FFO

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

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

Adjustments to EBITDA and FFO

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

- *Non-Cash Ground Rent*: We exclude the non-cash expense incurred from straight lining the rent from our ground lease obligations and the non-cash amortization of our favorable lease assets.
- *Non-Cash Amortization of Unfavorable Contract Liabilities*: We exclude the non-cash amortization of the unfavorable contract liabilities recorded in conjunction with our acquisitions of the Bethesda Marriott Suites, the Chicago Marriott Downtown, the Renaissance Charleston and the Lexington Hotel New York. The amortization of the unfavorable contract liabilities does not reflect the underlying operating performance of our hotels.

- *Cumulative Effect of a Change in Accounting Principle*: Infrequently, the Financial Accounting Standards Board (FASB) promulgates new accounting standards that require the consolidated statement of operations to reflect the cumulative effect of a change in accounting principle. We exclude the effect of these one-time adjustments because they do not reflect its actual performance for that period.
- *Gains from Early Extinguishment of Debt*: We exclude the effect of gains recorded on the early extinguishment of debt because we believe they do not accurately reflect the underlying performance of the Company.
- *Acquisition Costs*: We exclude acquisition transaction costs expensed during the period because we believe they do not reflect the underlying performance of the Company.
- *Allerton Loan*: In 2011, we included cash payments received on the senior loan secured by the Allerton Hotel in Adjusted EBITDA and Adjusted FFO. GAAP requires us to record the cash received from the borrower as a reduction of our basis in the mortgage loan due to the uncertainty over the timing and amount of cash payments on the loan. Beginning in 2012, due to the uncertainty of the timing of the bankruptcy resolution, we exclude both cash interest payments received from the borrower and the legal costs incurred as a result of the bankruptcy proceedings from our calculation of Adjusted EBITDA and Adjusted FFO. We have not adjusted our 2011 Adjusted EBITDA and Adjusted FFO calculations to reflect this change in presentation.
- *Other Non-Cash and /or Unusual Items*: We exclude the effect of certain non-cash and/or unusual items because we believe they do not reflect the underlying performance of the Company. In 2012, we excluded the franchise termination fee paid to Radisson because we believe that including it would not be consistent with reflecting the ongoing performance of the hotel. In 2011, we excluded the accrual for net key money repayment to Hilton in conjunction with entering into a termination agreement for the Conrad Chicago because we believe that including it would not be consistent with reflecting the ongoing performance of the hotel.

In addition, to derive Adjusted EBITDA we exclude gains or losses on dispositions and impairment losses because we believe that including them in EBITDA is not consistent with reflecting the ongoing performance of our hotels. Additionally, the gain or loss on dispositions and impairment losses represent either accelerated depreciation or excess depreciation in previous periods, and depreciation is excluded from EBITDA.

In addition, to derive Adjusted FFO we exclude any fair value adjustments to debt instruments. Specifically, we exclude the impact of the non-cash amortization of the debt premium recorded in conjunction with the acquisition of the JW Marriott Denver at Cherry Creek and fair market value adjustments to the Company's interest rate cap agreement.

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

	Fiscal Quarter Ended		Period from	
	June 15, 2012	June 17, 2011	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011
Net income (loss)	$ 8,944	$ (556)	$ 11,559	$ (11,599)
Interest expense(1)	12,510	12,340	26,274	23,483
Income tax expense (benefit)(2)	1,848	3,088	(3,740)	(1,003)
Real estate related depreciation and amortization(3)	20,571	21,682	41,089	43,034
EBITDA	43,873	36,554	75,182	53,915
Non-cash ground rent	1,575	1,655	3,107	3,221
Non-cash amortization of unfavorable contract liabilities	(432)	(426)	(864)	(852)
Gain on sale of hotel properties, net of tax	—	—	(10,017)	—
Gain on early extinguishment of debt	—	—	(144)	—
Acquisition costs	1,999	1,904	2,031	2,159
Allerton loan interest payments	—	505	—	605
Allerton loan legal fees	590	—	912	—
Franchise termination fee	—	—	750	—
Accrual for net key money repayment	—	864	—	864
Impairment of favorable lease asset	468	—	468	—
Adjusted EBITDA	$ 48,073	$ 41,056	$ 71,425	$ 59,912

(1) Amounts include interest expense included in discontinued operations as follows: $2.3 million in the quarter ended June 17, 2011; $2.3 million in the period from January 1, 2012 to June 15, 2012; and $4.7 million in the period from January 1, 2011 to June 17, 2011.

(2) Amounts include income tax (expense) benefit included in discontinued operations as follows: $0.2 million in the quarter ended June 17, 2011; ($0.2 million) in the period from January 1, 2012 to June 15, 2012; and $0.6 million in the period from January 1, 2011 to June 17, 2011.

(3) Amounts include depreciation expense included in discontinued operations as follows: $2.8 million in the quarter ended June 17, 2011 and $5.6 million in the period from January 1, 2011 to June 17, 2011.

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

	Fiscal Quarter Ended		Period from	
	June 15, 2012	June 17, 2011	January 1, 2012 to June 15, 2012	January 1, 2011 to June 17, 2011
Net income (loss)	$ 8,944	$ (556)	$ 11,559	$ (11,599)
Real estate related depreciation and amortization(1)	20,571	21,682	41,089	43,034
Impairment of favorable lease asset	468	—	468	—
Gain on sale of hotel properties, net of tax	—	—	(10,017)	—
FFO	29,983	21,126	43,099	31,435
Non-cash ground rent	1,575	1,655	3,107	3,221
Non-cash amortization of unfavorable contract liabilities	(432)	(426)	(864)	(852)
Gain on early extinguishment of debt	—	—	(144)	—
Acquisition costs	1,999	1,904	2,031	2,159
Allerton loan interest payments	—	505	—	605
Allerton loan legal fees	590	—	912	—
Franchise termination fee	—	—	750	—
Accrual for net key money repayment	—	864	—	864
Fair value adjustments to debt instruments	448	—	401	—
Adjusted FFO	$ 34,163	$ 25,628	$ 49,292	$ 37,432

(1) Amounts include depreciation expense included in discontinued operations as follows: $2.8 million in the quarter ended June 17, 2011 and $5.6 million in the period from January 1, 2011 to June 17, 2011.

Use and Limitations of Non-GAAP Financial Measures

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

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

financial measure.

Critical Accounting Policies

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

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

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

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

Revenue Recognition. Hotel revenues, including room, golf, food and beverage, and other hotel revenues, are recognized as the related services are provided. Additionally, our operators collect sales, use, occupancy and similar taxes at our hotels which are excluded from revenue in our consolidated statements of operations (revenue is recorded net of such taxes).

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

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

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

Notes Receivable. We initially record acquired notes receivable at cost. Notes receivable are evaluated for collectability and if collectability of the original amounts due is in doubt, the value is adjusted for impairment. If collectability is in doubt, the note is placed in non-accrual status. No interest is recorded on such notes until the timing and amounts of cash receipts can be reasonably estimated. We record cash payments received on non-accrual notes receivable as a reduction in basis. We continually assess the current facts and circumstances to determine whether we can reasonably estimate cash flows. If we can reasonably estimate the timing and amount of cash flows to be collected, then income recognition becomes possible.

Inflation

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

Seasonality

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

New Accounting Pronouncements Not Yet Implemented

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business strategies, the primary market risk to which we are currently exposed, and, to which we expect to be exposed in the future, is interest rate risk. The face amount of our outstanding debt as of June 15, 2012 was $899.5 million, of which $170.4 million was variable rate. If market rates of interest on our variable rate debt fluctuate by 25 basis points, interest expense would increase or decrease, depending on rate movement, future earnings and cash flows, by $0.4 million annually.

We use our interest rate cap to manage interest rate risk related to our variable rate debt secured by the Lexington Hotel New York. The change in fair value of our interest rate cap is a non-cash transaction and is recorded as a credit or charge to interest expense.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

Except as described below, we are not involved in any material litigation nor, to our knowledge, is any material litigation pending or threatened against us. We are involved in routine litigation arising out of the ordinary course of business, all of which is expected to be covered by insurance and is not expected to have a material adverse impact on our financial condition or results of operations.

Allerton Loan

We hold the senior mortgage loan secured by the Allerton Hotel, located in downtown Chicago, Illinois. The loan matured in January 2010 and is in default. In May 2011, the borrower under the loan filed for bankruptcy protection in the Northern District of Illinois under chapter 11 of Title 11 of the U.S. Code, 11 U.S.C. §§ 101 et seq., as amended. The senior mortgage loan is secured by substantially all of the assets of the borrower, including the Allerton Hotel. The filing of the bankruptcy case had the effect of, among other things, automatically staying the foreclosure proceedings that had been previously filed against the borrower. The borrower filed a plan of reorganization with the bankruptcy court in December 2011 and a disclosure statement with the bankruptcy court in January 2012 (together, the "Plan"). In March 2012, the Plan was approved for submission to the creditors for a vote to approve the Plan. The creditors approved the Plan and the Plan is subject to a confirmation hearing, which began on July 23, 2012. While we continue to vigorously pursue our rights in the bankruptcy case, the potential outcome is uncertain.

In August 2011, we filed a claim in New York State court under a so-called “bad boy guarantee” against an affiliate of the borrower for certain damages incurred as a result of the bankruptcy filing. In January 2012, the New York State court granted summary judgment in our favor, finding the guarantor liable for legal fees incurred by the Company arising out of the bankruptcy filing and we are preparing for a hearing on the reasonableness of the amount of fees. No assurance can be given, however, that we will be successful in collecting the amounts due to us upon a determination of the amount of damages due to us.

Los Angeles Airport Marriott Litigation

During 2011, we accrued $1.7 million for our contribution to the settlement of litigation involving the Los Angeles Airport Marriott. The settlement was recorded as a corporate expense during the year ended December 31, 2011. The Company and certain other defendants reached a tentative settlement of the matter, which involved claims by certain employees at the Los Angeles Airport Marriott. The settlement is pending approval by the Superior Court of California, Los Angeles County and during the fiscal quarter ended June 15, 2012, we paid our contribution to the settlement into escrow.

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

There have been no material changes in the risk factors described in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, except for the following.

We intend to make significant capital expenditures for each of the hotels comprising the Acquisition Portfolio and the performance of these hotels is dependent on the successful completion of the capital expenditure program developed for each hotel.

We expect to invest approximately $56 million over the next 60 months in the hotels comprising the Acquisition Portfolio including approximately $30 million to $35 million in the first two years of our ownership. The capital expenditure programs developed for each hotel are comprehensive and no assurance can be given that they will be completed on time or on budget or at all. If the programs are not completed successfully, it could have an impact on the expected performance of these hotels. Further, the franchisors (Hilton and Starwood) required as a condition to consenting to the transfer of the franchise agreements to our subsidiaries that property improvement plans be undertaken for each of these hotels. If these plans are not completed timely, or at all, with respect to one or more of these hotels, then we may be in default under the franchise agreement for such hotel or hotels and subject to termination of the franchise agreement and liquidated damages. Further, while these capital expenditure programs are being implemented at these hotels, guest rooms and certain public spaces may be out of service, which could have a material impact on the financial performance of the hotels and us.

Our hotels generally, and the hotels in the Acquisition Portfolio specifically, are operated under franchise agreements and we are subject to the risks associated with the franchise brand and the costs associated with maintaining the franchise license.

The four hotel properties comprising the Acquisition Portfolio will operate under franchise agreements. The maintenance

of the franchise licenses for branded hotel properties is subject to the franchisors' operating standards and other terms and conditions set forth in the applicable franchise agreement. Franchisors periodically inspect hotel properties to ensure that we and our lessees and management companies follow their standards. Failure by us, one of our taxable REIT subsidiary lessees or one of our third-party management companies to maintain these standards or other terms and conditions of the franchise agreement could result in us being in default and the franchise agreement being terminated. If a franchise agreement is terminated for failure to comply with its terms, including the maintenance of brand standards, we may be liable to the franchisor for a termination payment. We also face the risk of termination of the franchise agreement if we do not make franchisor-required capital expenditures under the franchise agreements.

Each of the franchise agreements with respect to the hotels in the Acquisition Portfolio imposes significant liquidated damages upon termination of the franchise agreement, in particular the franchise agreements for the Westin Washington, D.C. City Center and the Westin San Diego. In the case of these franchise agreements, if we are in default under the franchise agreement and the franchisor exercises its right to terminate the franchise agreement, we would be required to pay liquidated damages equal to the monthly average of the franchise fees and marketing fees payable over the previous 12 months multiplied by the number of months remaining in the term of the franchise agreement. Each of the franchise agreements for the Westin Washington, D.C. City Center and the Westin San Diego terminates in 2027. In addition to the payment of liquidated damages, if a franchisor terminates the franchise agreement, we may try either to obtain a suitable replacement franchise or to operate the hotel without a franchise license. The loss of a franchise license could materially and adversely affect the operations and the underlying value of the hotel property because of the loss of associated name recognition, marketing support and centralized reservation system provided by the franchisor and could adversely affect our revenues. This loss of revenue could in turn adversely affect our financial condition, results of operations, the market price of our common stock and our ability to make distributions to our stockholders.

Future issuances or sales of our common stock, including the issuance of shares to the Holder and any subsequent resale of the shares, may depress the market price of our common stock and have a dilutive effect on our existing stockholders, including purchasers in this offering.

We cannot predict whether future issuances of our common stock or the availability of shares for resale in the open market may depress the market price of our common stock. Future issuances or sales of a substantial number of shares of our common stock in the public market, including the issuance of shares of our common stock to the Holder in the Portfolio Acquisition and any subsequent resale of such shares by the Holder, or the issuance of our common stock in connection with property, portfolio or business acquisitions, or the perception that such issuances or sales might occur, may cause the market price of our shares to decline. In addition, future issuances of our common stock, including the issuance of shares of our common stock to the Holder as part of the Portfolio Acquisition, may be dilutive to existing stockholders.

In connection with the issuance of shares of our common stock to the Holder in the Portfolio Acquisition, we have entered into a Registration Rights and Lock-Up Agreement dated July 9, 2012 (the "Registration Rights Agreement") with the Holder pursuant to which the Holder will agree that during the lock-up period, it will not sell, dispose or otherwise transfer the shares of our common stock issued to the Holder in connection with the Portfolio Acquisition, subject to certain exceptions. Pursuant to the Registration Rights Agreement, we may waive the lock-up restrictions in our sole discretion with respect to all or any portion of the shares of common stock subject to the lock-up agreement. When the restrictions under the Registration Rights Agreement end, the shares of our common stock issued as the Stock Consideration will be available for sale into the market. Pursuant to the Registration Rights Agreement, we have granted the Holder certain registration rights, including a requirement to use our best efforts to file a "shelf" registration statement covering the Holder's resale of all such shares of our common stock.

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

None.

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

Not applicable.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

(a) *Exhibits*

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

Exhibit	
3.1.1	Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Registration Statement on Form S-11 filed with the Securities and Exchange Commission (File no. 333-123065)*)
3.1.2	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2007*)
3.1.3	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2012*)
3.2	Third Amended and Restated Bylaws of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 17, 2009*)
4.1	Form of Certificate for Common Stock for DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 5, 2010*)
10.1*	Agreement of Purchase and Sale among the Sellers named therein and DiamondRock Hospitality Company, dated as of July 9, 2012
10.2*	Registration Rights and Lock-Up Agreement among the Holder named therein and DiamondRock Hospitality Company, dated as of July 12, 2012
31.1*	Certification of Chief Executive Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Attached as Exhibit 101 to this report are the following materials from DiamondRock Hospitality Company's Quarterly Report on Form 10-Q for the quarterly period ended June 15, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the related notes to these condensed consolidated financial statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

* Filed herewith

SIGNATURE

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

DiamondRock Hospitality Company

July 25, 2012

/s/ Sean M. Mahoney	/s/ William J. Tennis
Sean M. Mahoney	William J. Tennis
Executive Vice President and	Executive Vice President,
Chief Financial Officer	General Counsel and Corporate Secretary
(Principal Financial and Accounting Officer)	

Exhibit 10.1

AGREEMENT OF PURCHASE AND SALE

among

THE SELLERS NAMED HEREIN

and

DIAMONDROCK HOSPITALITY COMPANY

Dated as of July 9, 2012

TABLE OF CONTENTS

Exhibits

Schedules

Schedule A - Properties
Schedule 1.1(a) - Terminated Contracts
Schedule 1.1(b) - Surveys
Schedule 2.4 - Allocated Purchase Price
Schedule 3.1(c) - Required Consents
Schedule 3.2(a)(i) - Material Contracts
Schedule 3.2(a)(ii) - Assumed Material Contracts
Schedule 3.2(b) - Space Leases
Schedule 3.2(c) - Supplemental Leases
Schedule 3.2(f) - Purchase Options
Schedule 3.2(j) - Employee Matters
Schedule 3.2(l) - Management Agreements
Schedule 3.2(m) - Franchise Agreements
Schedule 3.2(n) - Condominium Documents
Schedule 9.1 - Transfer Tax Allocation
Schedule 10.13 - 2012 Capital Projects; Capital Budgets

AGREEMENT OF PURCHASE AND SALE

AGREEMENT OF PURCHASE AND SALE (this "Agreement"), made as of the 9th day of July, 2012, by and between each of the entities listed on Schedule A attached hereto (individually, a "Seller"; collectively, the "Sellers") and DiamondRock Hospitality Company, a Maryland corporation (the "Buyer").

Background

A. The Sellers are the owners of the land, buildings and other improvements constituting the "Property" listed in the column entitled "Properties" opposite their names on Schedule A attached hereto and made a part hereof (individually a "Property"; collectively, the "Properties"). The Properties together with the Asset-Related Property (as defined below) with respect to each Property shall be referred to herein, collectively, as the "Assets".

B. The Sellers desire to sell to the Buyer, and the Buyer desires to purchase from the Sellers, the Assets on the terms and conditions hereinafter set forth.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Defined Terms

The capitalized terms used herein will have the following meanings.

"Accounts Payable" means all accrued amounts owed by the Sellers as of the Cut-Off Time and arising out of the ownership and operation of the Properties; provided, however, the term Accounts Payable does not include Booking Deposits.

"Accounts Receivable" means all accrued amounts owed to the Sellers as of the Cut-Off Time and arising out of the ownership or operation of the Properties, whether or not past due and whether or not a bill or statement has been presented to the Person owing such amount, including the following: room, food and beverage charges; telephone or telecopy charges; valet charges; charges for other services or merchandise; charges for banquets, meeting rooms, catering and the like; sales, use and occupancy taxes due from the consumers of goods and services; amounts owed from credit card companies pursuant to signed credit card receipts, whether or not such credit card receipts have been delivered by the Sellers to the applicable credit card companies; and deposits or prepayments made by or held for the account of the Sellers (including any utility deposits, and any deposits or prepayments made by a Manager for the account of a Seller).

"Additional Rent" shall have the meaning assigned thereto in subsection 10.1(a).

"Agreement" shall mean this Agreement of Purchase and Sale and all amendments hereto,

together with the exhibits and schedules attached hereto, as the same may be amended, restated, supplemented or otherwise modified, from time to time.

"Allocated Purchase Price" shall have the meaning assigned thereto in Section 2.4.

"Applicable Law" means all statutes, laws, common law, rules, regulations, ordinances, codes or other legal requirements of any Governmental Authority, board of fire underwriters and similar quasi-governmental agencies or entities, and any judgment, injunction, order, directive, decree or other judicial or regulatory requirement of any Governmental Authority of competent jurisdiction affecting or relating to the Person or property in question.

"Asset File" shall mean the materials with respect to the Assets made available to the Buyer or its representatives on an online data website, as evidenced by a print out of the index of the materials available on such website as of the date which is two days prior to the Closing Date, or any other materials with respect to the Assets previously delivered to the Buyer or its representatives by or on behalf of the Sellers.

"Asset-Related Property" shall have the meaning assigned thereto in subsection 2.1(b).

"Assets" shall have the meaning assigned thereto in "Background" paragraph A.

"Assigned Accounts Receivable" shall have the meaning assigned thereto in subsection 10.8(b)(i).

"Assignment of Assumed Supplemental Leases" shall have the meaning assigned thereto in subsection 6.1(e).

"Assignment of Contracts" shall have the meaning assigned thereto in subsection 6.1(d).

"Assignment of Franchise Agreement" shall have the meaning assigned thereto in subsection 6.1(g).

"Assignment of Leases" shall have the meaning assigned thereto in subsection 6.1(c).

"Assignment of Licenses, Permits, Warranties and General Intangibles" shall have the meaning assigned thereto in subsection 6.2(f).

"Assignment of Management Agreement" shall have the meaning assigned thereto in subsection 6.1(i).

"Assignment of Union Contract" shall have the meaning assigned thereto in subsection 6.1(f).

"Assumed Contracts" shall mean all Contracts other than the Terminated Contracts.

"Assumed Material Contracts" shall mean the Assumed Contracts which are Material Contracts.

"Assumed Supplemental Leases" shall mean, subject to section 14.2, the Supplemental Leases.

"Balance of the Cash Consideration" shall have the meaning assigned thereto in subsection

2.2(b)(ii).

"Basket Limitation" shall mean an amount equal to $333,000.

"Benefits Credit" shall have the meaning assigned thereto in Section 10.17.

"Bill of Sale" shall have the meaning assigned thereto in subsection 6.2(e).

"Booking Deposit" shall mean all room reservation deposits, public function, banquet, food and beverage deposits and other deposits or fees for Bookings.

"Bookings" shall mean all bookings and reservations for guest, conference and banquet rooms or other facilities, if applicable, at the Properties.

"Books and Records" shall have the meaning assigned thereto in subsection 2.1(b)(ix).

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks are authorized or required by law to be closed in New York City, New York.

"Buyer" shall have the meaning assigned thereto in the Preamble to this Agreement.

"Buyer Deloitte Fee Cap" shall have the meaning assigned thereto in Section 9.1.

"Buyer Fundamental Representations" shall have the meaning assigned thereto in subsection 11.3(b).

"Buyer Material Adverse Effect" means any effect, event, development or change, which, individually or in the aggregate with all other effects, events, developments or changes, is materially adverse to the assets, business, financial condition or results of operations of the Buyer and its subsidiaries, taken as a whole; provided, however, that none of the following shall constitute or be considered in determining whether there has occurred a Buyer Material Adverse Effect: (A) changes in conditions in the U.S. or global economy or capital or financial markets generally, including changes in interest or exchange rates; (B) changes in Applicable Law or tax, regulatory, political or business conditions that, in each case, generally affect the business or industry in which the Buyer and its subsidiaries (taken as a whole) operate; (C) changes in GAAP or interpretation thereof after the date hereof; (D) acts of war (whether declared or undeclared), armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the date of this Agreement; (E) flood, earthquakes, hurricanes, other severe weather or other natural disasters; (F) the negotiation, announcement of the execution or the performance of this Agreement, (G) any change arising from compliance with the terms of this Agreement; or (H) any action taken by the Buyer or its subsidiaries at the request or with the written consent of any Seller; provided, that any effect, event, development or change referenced in clauses (A) through (E) above shall be considered in determining whether there has been or is a Buyer Material Adverse Effect if such effect, event, development or change affects the Buyer and its subsidiaries in a disproportionate manner as compared to other participants in the hospitality industry that operate in the geographic regions affected by such effect, event, development or change. The parties agree that the mere fact of a decrease in the market price of the shares of the Company's Common Stock shall not, in and of itself, constitute a Buyer Material Adverse Effect, but any effect, event, development or change underlying such decrease not otherwise excluded in clauses (A) through (H) above shall be considered in determining whether there has been or is a Buyer Material Adverse Effect.

"Buyer-Related Entities" shall have the meaning assigned thereto in Section 11.1.

"Buyer-Waived Breach" shall have the meaning assigned thereto in subsection 11.3(a).

"Buyer Reports" shall have the meaning assigned thereto in subsection 4.1(g)(i).

"Buyer's Consultant" shall have the meaning assigned thereto in subsection 15.2(b).

"Buyer's Knowledge" shall mean the actual knowledge of the Buyer based upon the actual knowledge of Chris King and William Tennis, without any duty on the part of such Person to conduct any independent investigation or make any inquiry of any Person. None of the named individuals shall have any personal liability by virtue of their inclusion in this definition.

"Buyer's Leasing Costs" shall have the meaning assigned thereto in Section 10.7.

"Cap Limitation" shall mean an amount equal to $11,550,000.

"Cash Consideration" shall have the meaning assigned thereto in subsection 2.2(a).

"Cash Consideration Election" shall have the meaning assigned thereto in subsection 5.1(b).

"Closing" shall have the meaning assigned thereto in subsection 2.3(a).

"Closing Date" shall have the meaning assigned thereto in subsection 2.3(a).

"Closing Month" shall have the meaning assigned thereto in subsection 10.1(a).

"Closing Documents" shall mean any certificate, instrument or other document delivered pursuant to this Agreement, including, without limitation, each of the documents to be delivered by the Sellers pursuant to Section 6.2 and by the Buyer pursuant to Section 6.1.

"Closing Statement" shall have the meaning assigned thereto in subsection 6.1(r).

"Club" means any gym or health club membership program at any Property.

"Club Initiation Fees" shall mean the initiation deposits or fees payable by a prospective member of a Club upon the purchase of a membership in such Club.

"Club Membership Dues" means the monthly membership dues payable by members of a Club pursuant to the membership documents relating to such Club.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor statute. Any reference herein to a particular provision of the Code shall mean, where appropriate, the corresponding provision in any successor statute.

"Common Stock" shall have the meaning assigned thereto in subsection 4.1(f)(i).

"Condominium" means the condominium regime established at the Westin San Diego Property pursuant to its Condominium Documents.

"Condominium Documents" shall have the meaning assigned thereto in subsection 3.2(n).

"Condominium Estoppel" shall have the meaning assigned thereto in Section 14.5.

"Consumables" shall have the meaning assigned thereto in subsection 2.1(b)(iii).

"Contracts" shall mean, collectively, all agreements or contracts of any Seller relating to the ownership, operation, maintenance and management of the relevant Property, or any portion thereof, but excluding the Bookings, the Booking Deposits, the Space Leases, the Supplemental Leases, the Management Agreements, the Franchise Agreements, the Union Agreement, the Terminated Contracts and any documents evidencing or securing the Existing Financing.

"Cut-Off Time" shall have the meaning assigned thereto in the introductory paragraph to Article X.

"DC Act" shall have the meaning assigned thereto in subsection 15.22(b).

"Deed" shall have the meaning assigned thereto in subsection 6.2(a).

"Deficiency Amount" shall have the meaning assigned thereto in subsection 10.20(b).

"Deloitte Fees" shall have the meaning assigned thereto in Section 9.1.

"Depositor" shall have the meaning assigned thereto in subsection 15.20(b).

"Earnest Money" shall have the meaning assigned thereto in subsection 2.2(b)(i).

"Effective Date" shall mean the date of this Agreement.

"Employees" means all individuals who are employed on a full-time or part-time basis at, or with respect to, the applicable Properties.

"Environmental Claims" shall mean any claim for reimbursement or remediation expense, contribution, personal injury, property damage or damage to natural resources made by any Governmental Authority or other Person arising from or in connection with the presence or release of any Hazardous Materials over, on, in or under any Property, or the violation of any Environmental Laws with respect to any Property.

"Environmental Laws" means any Applicable Laws which regulate or control (i) Hazardous Materials, pollution, contamination, noise, radiation, water, soil, sediment, air or other environmental media, or (ii) an actual or potential spill, leak, emission, discharge, release or disposal of any Hazardous Materials or other materials, substances or waste into water, soil, sediment, air or any other environmental media, including, without limitation, (A) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq. ("CERCLA"), (B) the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. ("RCRA"), (C) the Federal Water Pollution Control Act, 33 U.S.C. § 2601 et seq., (D) the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., (E) the Clean Water Act, 33 U.S.C. § 1251 et seq., (F) the Clean Air Act, 42 U.S.C. § 7401 et seq., (G) the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., and (H) the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq. and similar state and local Applicable Law, as amended from time to time, and all regulations, rules and guidance issued pursuant thereto.

"Environmental Liabilities" means any liabilities or obligations of any kind or nature imposed on the Person in question pursuant to any Environmental Laws, including, without limitation,

any (i) obligations to manage, control, contain, remove, remedy, respond to, clean up or abate any actual or potential release of Hazardous Materials or other pollution or contamination of any water, soil, sediment, air or other environmental media, whether or not located on any Property and whether or not arising from the operations or activities with respect to any Property, and (ii) liabilities or obligations with respect to the manufacture, generation, formulation, processing, use, treatment, handling, storage, disposal, distribution or transportation of any Hazardous Materials.

"Escrow Account" shall have the meaning assigned thereto in Section 15.4.

"Escrow Agent" shall have the meaning assigned thereto in subsection 2.2(b)(i).

"Exchange Act" shall have the meaning assigned thereto in subsection 4.1(g)(i).

"Excluded Assets" shall have the meaning assigned thereto in subsection 2.1(c).

"Existing Financing" shall mean the mortgage loans and/or mezzanine loans encumbering the Sellers' direct or indirect interests in one or more Properties.

"Existing Financing Liens" shall have the meaning assigned thereto in subsection 8.3(a).

"FCPA" shall mean the Foreign Corrupt Practices Act of 1977.

"Fixed Rents" shall have the meaning assigned thereto in subsection 10.1(a).

"Franchise Agreements" shall mean the hotel franchise agreement or license agreement and related documents pursuant to which any Property is being operated under a brand name, together with all amendments and modifications thereto.

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority" shall mean any federal, state, local or foreign government or other political subdivision thereof, including, without limitation, any agency, court or entity exercising executive, legislative, judicial, regulatory or administrative governmental powers or functions, in each case to the extent the same has jurisdiction over the Person or Property in question.

"Guest Ledger" means any and all charges accrued to the open accounts of any guests or customers at any Property as of the Cut-Off Time for the use and occupancy of any guest, conference, meeting or banquet rooms or other facilities at such Property, any restaurant, bar or banquet services, or any other goods or services provided to such guest or customer by or on behalf of any Seller (or a Manager on behalf of Seller).

"Hazardous Materials" shall have the meaning assigned thereto in subsection 7.2(a)(i).

"Hilton" means Hilton Worldwide, Inc., together with its successors and assigns.

"Hilton Boston Property" shall have the meaning assigned thereto on Schedule A.

"Hilton Burlington Property" shall have the meaning assigned thereto on Schedule A.

"IRS" shall mean the Internal Revenue Service.

"IRS Reporting Requirements" shall have the meaning assigned thereto in subsection 15.3(b).

"Interim Management Agreement" shall have the meaning assigned thereto in subsection 6.1(j).

"Leasing Costs" shall mean, with respect to a particular Space Lease, all capital costs, expenses incurred for capital improvements, equipment, painting, decorating, partitioning and other items to satisfy the initial construction obligations of the landlord under such Space Lease (including any expenses incurred for architectural or engineering services in respect of the foregoing), "tenant allowances" in lieu of or as reimbursements for the foregoing items, payments made for purposes of satisfying or terminating the obligations of the tenant under such Space Lease to the landlord under another lease (i.e., lease buyout costs), relocation costs, temporary leasing costs, free rent periods, leasing commissions, brokerage commissions, legal, design and other professional fees and costs, in each case, to the extent the landlord is responsible for the payment of such cost or expense under the relevant Space Lease or any other agreement relating to such Space Lease.

"LodgeNet Agreements" means (A) with respect to the Hilton Boston Property, (i) that certain LodgeNet Free-to-Guest Agreement by and between W-Boston, LLC d/b/a Hilton Boston Financial Center, and LodgeNet Interactive Corporation, dated September 27, 2011, as amended by that certain Amendment to the LodgeNet Free-to-Guest Agreement by and between W-Boston, LLC d/b/a Hilton Boston Financial Center, and LodgeNet Interactive Corporation, dated October 28, 2011 and (ii) that certain Lodgenet Interactive Television Agreement, by and between W-Boston, LLC and LodgeNet Interactive Corporation, dated September 27, 2011, (B) with respect to the Westin Washington DC Property, that certain LodgeNet SigNETure TV HD Agreement by and between Wind DC Owner L.L.C., and Lodgenet Entertainment Corporation, dated as of October 23, 2007, as amended by that certain Lodgenet Free-to-Guest Addendum by and between Wind DC Owner L.L.C., and LodgeNet Entertainment Corporation, dated October 23, 2007, as further amended by that certain Amendment to the Lodgenet SigNETure TV HD Agreement by and between Wind DC Owner L.L.C., and LodgeNet Interactive Corporation, dated January 9, 2009, as further amended by that certain Amendment to the LodgeNet SigNETure TV HD Agreement dated March 29, 2010 and (C) with respect to the Westin San Diego Property, LodgeNet SigNETure TV HD Agreement by and between W-Emerald, LLC, and Lodgenet Entertainment Corporation, dated as of November 2, 2007, as amended by that certain Lodgenet Free-to-Guest Addendum by and between W-Emerald, LLC, and LodgeNet Entertainment Corporation, dated November 2, 2007, as further amended by that certain Amendment to the LodgeNet Free-To-Guest Addendum to the SigNETture TV HD Agreement dated June 17, 2009, that certain Amendment to the LodgNet SigNETure TV HD Agreement dated as of April 5, 2011, that certain Amendment to the LodgeNet SigNETure TV HD Agreement dated as of June 27, 2011, that certain Amendment to the LodgNet SigNETure TV HD Agreement dated as of November, 2011, that certain Amendment to the LodgeNet SigNETure TV HD Agreement dated as of June 27, 2011, that certain Amendment to the LodgNet SigNETure TV HD Agreement dated as of April 5, 2011, that certain Amendment to the LodgeNet SigNETure TV HD Agreement dated as of January 23, 2012, and that certain Amendment to the LodgNet SigNETure TV HD Agreement dated as of April 5, 2011, that certain Amendment to the LodgeNet SigNETure TV HD Agreement dated as of May 21, 2012.

"Losses" shall have the meaning assigned thereto in Section 11.1.

"Management Agreements" shall mean, with respect to each Property, the management agreement between the applicable Seller, as owner and the applicable Manager, as manager, for the

management and operation of such Property, and all amendments and modifications thereto.

"Manager" shall mean the manager under each Management Agreement.

"Material Contracts" shall mean all Contracts, other than those Contracts which are terminable on 30 days' notice without cost or penalty and require the payment of no more than $50,000 in any calendar year.

"National Service Contracts" shall mean any Contract to which a Seller, an affiliate of Seller or a Manager is a party which provides for services to one or more of the Properties and to other assets or properties of the Sellers, their affiliates or such Manager.

"New Lease" shall have the meaning assigned thereto in subsection 3.4(d).

"Other Title Companies" shall mean Chicago Title Insurance Company, Fidelity National Title Insurance Company and National Land Tenure.

"Permitted Exceptions" shall mean all of the following: (i) applicable zoning and building ordinances and land use regulations, (ii) the matters set forth on the Surveys, (iii) the liens, encumbrances, restrictions, exceptions and other matters set forth in the Title Pro Formas as exceptions or exclusions from coverage, (iv) the lien of real estate taxes and assessments not yet due and payable as of the Closing Date, (v) any exceptions caused by the Buyer, its agents, representatives or employees, (vi) such other exceptions as the Title Company shall commit to insure over without any additional cost to the Buyer in a manner reasonably acceptable to the Buyer, whether such insurance is made available in consideration of payment, bonding, indemnity of the Sellers or otherwise, (vii) the rights of the tenants under the Space Leases as tenants only, and (viii) all other matters that arise subsequent to the Effective Date that are approved (or deemed approved) by the Buyer under subsection 8.3(b) hereof.

"Personal Property" shall have the meaning assigned thereto in subsection 2.1(b)(ii).

"Person" shall mean a natural person, partnership, limited partnership, limited liability company, corporation, trust, estate, association, unincorporated association or other entity.

"Plans and Specifications" shall have the meaning assigned thereto in subsection 2.1(b)(x).

"Post-Effective Date Fines" shall have the meaning assigned thereto in subsection 8.3(c).

"Preferred Stock" shall have the meaning assigned thereto in subsection 4.1(f)(i).

"Properties" or "Property" shall have the meaning assigned thereto in "Background" paragraph A.

"Purchase Price" shall have the meaning assigned thereto in subsection 2.2(a).

"Recapture Right" shall have the meaning assigned thereto in Section 14.2.

"Recognized Gift Certificate" shall have the meaning assigned thereto in Section 10.15.

"Registration Rights Agreement" shall have the meaning assigned thereto in subsection 6.1(k).

"REIT" shall have the meaning assigned thereto in subsection 4.1(i).

"Rejected Contract" shall have the meaning assigned thereto in Section 14.6.

"Rents" shall have the meaning assigned thereto in subsection 10.1(a).

"Reporting Person" shall have the meaning assigned thereto in subsection 15.3(b).

"Required Consent" shall have the meaning assigned thereto in Section 14.6.

"Required Franchisor/Manager Consent" shall have the meaning assigned thereto in subsection 14.1(a).

"Retail Merchandise" shall have the meaning assigned thereto in subsection 2.1(b)(vii).

"San Diego Business Center Lease" shall mean that certain Office Lease for Emerald Plaza dated June 2, 1998, by and between 400 West Broadway LLC, as landlord, and Patriot American Hospitality Operating Partnership LP, as tenant, as amended by the First Amendment to Office Lease dated May 8, 2001, by and between 400 West Broadway LLC and Patriot American Hospitality Operating Partnership LP, as amended by the Second Amendment to Office Lease dated June 30, 2004 between NNN Emerald Plaza (successor in interest to 400 West Broadway LLC) and W-Emerald LLC, as further amended by the Third Amendment to Office Lease dated July 1, 2009, between RREEF America REIT II Corp., GGGG (successor in interest to NNN Emerald Plaza), as landlord, and W-Emerald, LLC, as tenant.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Seller Financials" shall mean the audited financial statements of the Sellers and certain affiliates of the Sellers for certain historical periods during which the Properties and/or certain assets other than the Properties agreed upon by the parties were owned and under the control of the Sellers and/or such affiliates.

"Seller-Related Entities" shall have the meaning assigned thereto in Section 11.2.

"Seller Verification Notice" shall have the meaning assigned thereto in subsection 15.20(b).

"Seller-Waived Breach" shall have the meaning assigned thereto in subsection 11.3(b).

"Sellers" shall have the meaning assigned thereto in the Preamble to this Agreement.

"Sellers' Knowledge" shall mean the actual knowledge of the Sellers based upon the actual knowledge of Glenn Alba and Tyler Henritze with respect to all of the Assets, without any duty on the part of such Person to conduct any independent investigation or make any inquiry of any Person. None of the named individuals shall have any personal liability by virtue of their inclusion in this definition.

"Sellers' Leasing Costs" shall have the meaning assigned thereto in Section 10.7.

"Space Leases" shall mean all leases (other than the Supplemental Leases), licenses and other occupancy agreements for all or any portion of the Properties.

"Supplemental Leases" shall mean all leases and subleases pursuant to which a Seller holds a leasehold or subleasehold interest or other right to occupy real property and under which such Seller is a

tenant, subtenant or occupant thereunder, other than the Space Leases.

"Survey" shall mean the survey of each Property described on Schedule 1.1(b) hereto.

"Taxes" shall mean any and all fees (including, without limitation, documentation, recording, license and registration fees), taxes (including, without limitation, net income, alternative, unitary, alternative minimum, minimum franchise, value added, ad valorem, income, receipts, capital, excise, sales, use, leasing, fuel, excess profits, turnover, occupation, property (personal and real, tangible and intangible), transfer, recording and stamp taxes, intangible taxes, levies, imposts, duties, charges, fees (including impact fees), assessments, or withholdings of any nature whatsoever, general or special, ordinary or extraordinary, and any transaction privileges or similar taxes) imposed by or on behalf of a Governmental Authority, together with any and all penalties, fines, additions to tax and interest thereon, whether disputed or not..

"Tenants" shall mean the tenants under the Space Leases.

"Terminated Contracts" shall mean (a) the Contracts set forth on Schedule 1.1(a), (b) the WHM Management Agreement, (c) the Supplemental Leases other than the Assumed Supplemental Leases and (d) the Terminated Franchise/Management Agreements.

"Terminated Franchise/Management Agreement" shall have the meaning assigned thereto in subsection 14.1(a).

"Termination Amounts" shall have the meaning assigned thereto in subsection 14.1(a).

"Termination of Franchise Agreement" shall have the meaning assigned thereto in subsection 6.1(h).

"Title Affidavit" shall have the meaning assigned thereto in Section 8.5.

"Title Company" shall mean First American Title Insurance Company.

"Title Pro Forma" shall mean, with respect to each Property, the pro forma owner's title policy of insurance issued by the Title Company and attached hereto as Exhibit O.

"Title Policy" shall have the meaning set forth in Section 8.4.

"Transfer Notice" shall have the meaning assigned thereto in subsection 6.1(l).

"Union Agreement" shall mean (i) that certain Agreement effective as of June 1, 2012, by and between UNITE HERE Local 26, and WHM LLC and (ii) that certain Memorandum of Agreement, dated May 25, 2012, by and between UNITE HERE Local 26, and WHM LLC.

"Union Benefit Plans" shall mean all employee benefit plans provided for in the Union Agreement.

"Union Represented Employees" shall have the meaning assigned thereto in subsection 14.4(a).

"VCOC Letter Agreement" shall have the meaning assigned thereto in subsection 6.1(s).

"Violations" shall mean all violations of Applicable Law now or hereafter issued or noted.

"Voluntary Encumbrance" shall mean with respect to each Property, liens or encumbrances that are affirmatively placed or caused to be placed on such Property by the Sellers; provided, however, that the term "Voluntary Encumbrance" as used in this Agreement shall not include the following: (a) any Permitted Exceptions; (b) any title exceptions that are approved, waived or deemed to have been approved or waived by the Buyer; and (c) any title exceptions which, pursuant to a Space Lease for the Property or otherwise, are to be discharged by a Tenant or occupant of the Property.

"WARN Act" shall mean the Worker's Adjustment and Retraining Notification Act of 1988, and any similar state and local law applicable, as amended from time to time, and any regulations and guidance issued pursuant thereto.

"Washington DC Taxing Authority" shall mean the Office of Tax and Revenue of the Government of the District of Columbia.

"Westin DC Audit Notice" shall mean that certain letter dated April 6, 2012, from the Washington DC Taxing Authority to the Westin DC Owner with respect to the audit of Westin DC Owner relating to (i) personal property taxes for the years ended June 30, 2010 through June 30, 2012 and (ii) sales and use taxes for July 1, 2009 through June 30, 2012.

"Westin DC Owner" shall have the meaning set forth on Schedule A.

"Westin San Diego Property" shall have the meaning assigned thereto on Schedule A.

"Westin Washington DC Property" shall have the meaning set forth on Schedule A.

"WHM" shall mean WHM LLC, a Delaware limited liability company.

"WHM Management Agreement" shall mean the Management Agreement dated December 2, 2010, between WHM and W-Boston, LLC.

ARTICLE II

SALE, CONSIDERATION AND CLOSING

Section 2.1

Sale of Assets. (a) On the Closing Date and pursuant to the terms and subject to the conditions set forth in this Agreement, the Sellers shall sell to the Buyer, and the Buyer shall purchase from each of the Sellers, all of the Assets. It is understood and expressly agreed that the closings of the sale and purchase of all the Assets shall occur contemporaneously, that the Sellers have no obligation to sell, and the Buyer has no right to purchase, less than all of the Assets, and the sale of the Assets may not close unless the purchase of all of the Assets closes contemporaneously.

(b) The transfer of each Asset to the Buyer shall include the transfer of all Asset-Related Property with respect to the related Property. For purposes of this Agreement, "Asset-Related Property" shall mean the following:

(i) all of the relevant Seller's right, title and interest in and to all easements, rights of way, privileges, covenants, common interests and other rights appurtenant to said Property and all right, title and interest of the relevant Seller, if any, in and to any land lying in the

bed of any street, road, avenue or alley, open or closed, in front of or adjoining said Property and to the center line thereof;

(ii) all personal property, operating equipment and furniture, fixtures, equipment, tools, supplies and other personal property, including any vehicles (collectively, the "Personal Property") (except items owned or leased by Tenants, any Franchisor or any Manager or which are leased by the relevant Seller (in which case the Buyer shall be assigned any rights and/or interests such Seller may have in any such items to the extent assignable) owned by the Sellers which are now, or may hereafter prior to the Closing Date be, placed in or attached to the Property;

(iii) all food and beverages (alcoholic, to the extent transferable by this Agreement and under applicable law, and non-alcoholic); engineering, maintenance, and housekeeping supplies, including soap, cleaning materials and matches; stationery and printing; and other supplies of all kinds, in each case whether partially used, unused, or held in reserve storage for future use in connection with the maintenance and operation of the Properties, which are on hand on the date of this Agreement subject to such depletion and restocking as shall occur and be made in the normal course of business but in accordance with present standards, excluding, however, the Personal Property (collectively, the "Consumables");

(iv) to the extent they may be transferred under Applicable Law, all licenses, permits and authorizations presently issued in connection with the operation of all or any part of the relevant Property as it is presently being operated;

(v) to the extent assignable, all warranties and guarantees issued to the relevant Seller by any manufacturer or contractor in connection with construction or installation of equipment or any component of the improvements included as part of the Property;

(vi) to the extent assignable, all of the relevant Seller's right, title and interest in all other intangibles associated with the applicable Property, including, without limitation, house bank funds, Assigned Accounts Receivable, Bookings, goodwill, all URLs and websites, logos, designs, trade names, building names, trademarks related to the property and other general intangibles relating to such Property, and all telephone exchange numbers specifically dedicated and identified with such Property, other than any such intangibles owned or held by Tenants, any Franchisor or any Manager;

(vii) all merchandise located at the Properties and held for sale to guests and customers thereof, or ordered for future sale at any Property as of the Cut-Off Time, but not including any such merchandise owned by any Tenant, Franchisor or Manager at any Property ("Retail Merchandise");

(viii) all Space Leases and Assumed Contracts and all security and escrow deposits held by the relevant Seller in connection with any such Space Lease or Assumed Contract;

(ix) all books and records, including without limitation tenant files, tenant lists and tenant marketing information relating to the relevant Property, each to the extent in the applicable Seller's possession or reasonably obtainable by such Seller (the "Books and Records"); and

(x) the plans and specifications, engineering drawings and prints with respect to the improvements, all operating manuals, and all books, data and records regarding the physical components systems of the improvements at the Properties, each to the extent in the Sellers' possession (or reasonably obtainable by the Sellers) (the "Plans and Specifications").

(c) Notwithstanding anything to the contrary contained in this Agreement, the it is expressly agreed by the parties hereto that the following items are expressly excluded from the Assets to be sold to the Buyer (collectively, the "Excluded Assets"):

(i) Cash. Subject to Section 10.6 of this Agreement, all cash on hand or on deposit in any house bank, operating account or other account maintained in connection with the ownership, operation or management of any Property, including, without limitation, any cash held in any reserves or escrow in connection with the Existing Financing and reserves maintained by the Sellers or any Manager pursuant to the terms of any Management Agreement;

(ii) Third Party Property. Any fixtures, personal property, equipment, trademarks or other intellectual property or other assets which are owned by (A) the supplier or vendor under any Contract, (B) the tenant under any Space Lease, (C) any Employees, (D) any guests or customers of any Property, or (E) any Manager or Franchisor, but excluding (i.e., the following shall be included in Asset-Related Property and transferred to the Buyer at Closing) any rights and/or interests the Sellers may have in the foregoing; and

(iii) Insurance Claims. Any insurance claims or proceeds arising out of or relating to events that occur prior to the Closing Date, other than insurance claims and proceeds which are to be assigned to the Buyer pursuant to the terms of Section 9.2 of this Agreement in connection with a casualty.

Section 2.2 Purchase Price

(a) The aggregate consideration to be paid by the Buyer to the Sellers for the Assets shall be $495,000,000 (the "Purchase Price"), which shall consist of (i) cash in an amount equal to $420,000,000 (the "Cash Consideration") and (ii) a whole number of shares of newly-issued Common Stock, par value of $0.01 per share, of the Buyer (the "Share Consideration") equal to (A) $75,000,000 divided by (B) the closing price of the Common Stock on the New York Stock Exchange on July 9, 2012, provided that such number of shares shall not be greater than 7,500,000 or less than 7,142,857. The Purchase Price shall be paid to the Sellers as follows:

(i) Simultaneously with the execution of this Agreement, the Buyer is delivering to First American Title Insurance Company, as escrow agent (in such capacity, "Escrow Agent"), cash in an amount equal to $50,000,000 (together with all accrued interest thereon, the "Earnest Money") in immediately available funds by wire transfer to the Escrow Account. The Earnest Money shall be non-refundable to the Buyer except as expressly provided in this Agreement;

(ii) At the Closing, (A) the Buyer shall deposit with the Escrow Agent, by wire transfer of immediately available funds, an amount equal to the Balance of the Cash Consideration, and (B) the Buyer shall register the Share Consideration in the name of the applicable Seller or its designee by book entry in an account or accounts designated by the Sellers,

free and clear of all liens (other than those imposed by the Buyer's organizational documents, the transfer restrictions imposed by the Registration Rights Agreement and federal and state securities laws); provided, however, that the Share Consideration shall be proportionately adjusted to reflect any share splits, combination of shares, stock dividends, recapitalizations, reorganizations or reclassifications with respect to the Common Stock of the Buyer or any transaction in which the Common Stock is converted into other securities or cash, in each case, occurring between the date of this Agreement and the Closing Date. "Balance of the Cash Consideration" means (i) the Cash Consideration, as such amount may be adjusted pursuant to the terms of Article X hereof, minus (ii) the Earnest Money.

(b) Upon delivery to Escrow Agent by the Buyer, the Earnest Money will be deposited by Escrow Agent in the Escrow Account, which shall be an interest-bearing account acceptable to the Buyer and the Sellers and shall be held in escrow in accordance with the provisions of Section 15.4. All interest earned on the Earnest Money while held by Escrow Agent shall be paid to the party to whom the Earnest Money is paid, except that if the Closing occurs, the Buyer shall receive a credit for such interest in accordance with the terms of this Agreement.

(c) No adjustment shall be made to the Purchase Price except as explicitly set forth in this Agreement.

Section 2.3 The Closing

(a) Subject to the provisions of subsection 2.3(c) and subsection 5.1(b), the closing of the sale and purchase of the Assets (the "Closing") shall take place on July 12, 2012 (the "Closing Date"), **TIME BEING OF THE ESSENCE with respect to such obligations hereunder on the Closing Date.**

(b) The Closing shall be held on the Closing Date at 10:00 A.M. (EDT) by mutually acceptable escrow arrangements. There shall be no requirement that the Seller and the Buyer physically attend the Closing, and all funds and documents to be delivered at the Closing shall be delivered to the Escrow Agent unless the parties hereto mutually agree otherwise. The Buyer and the Seller hereby authorize their respective attorneys to execute and deliver to the Escrow Agent any additional or supplementary instructions as may be necessary or convenient to implement the terms of this Agreement and facilitate the closing of the transactions contemplated hereby, provided, however, that such instructions are consistent with and merely supplement this Agreement and shall not in any way modify, amend or supersede this Agreement.

(c) The Buyer shall have the right to adjourn the Closing for a period of up to 10 Business Days by delivery of written notice to the Sellers. Such notice shall be delivered to the Sellers no later than 5:00 p.m. EDT on July 11, 2012, shall state that the Buyer is exercising its right under this subsection 2.3(c) to adjourn the Closing Date, and shall specify the adjourned Closing Date. If the Buyer fails to deliver written notice which complies with the provisions of this subsection 2.3(c) on or prior to the date and time specified in the immediately preceding sentence, then the Buyer's right to adjourn the Closing Date pursuant to this subsection 2.3(c) shall automatically terminate and be of no further force or effect.

Section 2.4 Allocated Purchase Price

The Sellers and the Buyer hereby agree that the Purchase Price shall be allocated among the Properties as set forth on Schedule 2.4 (the "Allocated Purchase Price") for federal, state and local tax purposes, and further allocated, as applicable, in accordance with the rules under Section 1060 of the Code and the Treasury Regulations promulgated thereunder and any similar provision of state, local or foreign law). The Buyer and each Seller shall (i) cooperate in the filing of any forms (including Form 8594 under Section 1060 of the Code) with respect to the Allocated Purchase Price, including any amendments to such forms required pursuant to this Agreement with respect to any adjustment to the Purchase Price and (ii) file all federal, state and local tax returns and related tax documents consistent with such allocations, as the same may be adjusted pursuant to the terms of Article X or any other provisions of this Agreement, and not take any position (whether in audits, tax returns or otherwise) inconsistent with such allocations unless otherwise required by Applicable Law. Notwithstanding anything in this Agreement to the contrary, no amendment to the Allocated Purchase Price shall be effective without the approval and consent of the Buyer and the Sellers.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND CERTAIN COVENANTS OF THE SELLERS

Section 3.1 General Seller Representations and Warranties

Each Seller hereby represents and warrants to the Buyer as of the date of this Agreement and as of the Closing Date as follows:

(a) Formation; Existence. It is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware.

(b) Power and Authority. It has all requisite limited liability company power and authority to enter into this Agreement and the Closing Documents to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Closing Documents to which it is a party and the consummation of the transactions provided for in this Agreement and the Closing Documents to which it is a party have been duly authorized by all necessary action on its part. This Agreement has been duly executed and delivered by it and constitutes, and the Closing Documents to be executed and delivered by it, when executed and delivered at the Closing, and assuming due authorization, execution and delivery by the Buyer, will constitute, its legal, valid and binding obligation, enforceable against it in accordance with their terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights and by general principles of equity (whether applied in a proceeding at law or in equity)).

(c) No Consents. Except as set forth in Schedule 3.1(c), no consent, license, approval, order, permit or authorization of, or registration, filing or declaration with, any Governmental Authority or any other Person is required to be obtained or made in connection with such Seller's execution, delivery and performance of this Agreement, the Closing Documents to which it is a party or any of the transactions required or contemplated hereby or thereby.

(d) No Conflicts. The execution, delivery and compliance with, and performance of the terms and provisions of, this Agreement and the Closing Documents to which it is a party does not and

will not (with or without notice or lapse of time or both) (i) conflict with or result in any violation of its organizational documents, (ii) conflict with or result in any violation of any provision of any bond, note or other instrument of indebtedness, contract, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is bound or subject or (iii) violate any Applicable Law relating to it or its properties.

(e) Foreign Person. It is not a "foreign person" as defined in Section 1445 of the Code and the regulations issued thereunder.

(f) Anti-Terrorism Laws. It is currently in compliance with and shall at all times during the term of this Agreement remain in compliance with the regulations of the Office of Foreign Assets Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other action by a Governmental Authority relating thereto.

(g) Knowledge and Experience. It has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the Buyer and is able to bear such risks, and has obtained, in its judgment, sufficient information to evaluate the merits and risks of such investment. It has evaluated the risks of investing in the Buyer, understands there are substantial risks of loss incidental to the acquisition of the Share Consideration and has determined that it is a suitable investment for such Seller.

(h) Accredited Investor Status. It is an "accredited investor" within the meaning of Rule 501(a) promulgated under Regulation D of the Securities Act. To the extent it is acquiring Share Consideration, it is doing so without a view to any resale or distribution thereof; provided, however, that it reserves the right, subject to the transfer restrictions set forth in the Registration Rights Agreement, to sell or otherwise dispose of all or any portion of the Share Consideration pursuant to a registration statement or exemption under the Securities Act, and in compliance with applicable "blue sky" laws.

Section 3.2 Representations and Warranties of the Sellers as to the Assets

Each Seller hereby represents and warrants to the Buyer as of the date hereof and as of the Closing Date as follows:

(a) Material Contracts. To the Sellers' Knowledge, Schedule 3.2(a)(i) sets forth a correct and complete list of the Material Contracts (and any amendments or modification thereof) affecting any Property. Schedule 3.2(a)(ii) sets forth a list of all Assumed Material Contracts affecting any Property and, except as set forth on Schedule 3.2(a)(ii), (A) the Seller has delivered or made available to the Buyer true and complete copies of such Assumed Material Contracts, and (B) neither the Sellers nor to the Sellers' Knowledge, Managers have given or received any written notice of any breach or default under any such Assumed Material Contract that has not been cured.

(b) Space Leases. Schedule 3.2(b) sets forth a correct and complete list of all Space Leases at each Property as of the date hereof. Such Space Leases (i) have not been amended, supplemented or otherwise modified except as stated in Schedule 3.2(b), and (ii) contain the entire agreement between the relevant landlord and the tenants named therein. Except as set forth on Schedule 3.2(b), (a) the Sellers have delivered or made available to the Buyer true and complete copies the Space Leases, (b) neither the Sellers nor to the Sellers' Knowledge, the applicable Manager, has given or received any written notice of any breach or default under any Space Lease that has not been cured. (c) to the Sellers' Knowledge, the Space Leases are in full force and effect, and (d) the rent roll provided by the

Sellers is complete and accurate in all material respects and reflects any tenant arrearages and security deposits held by the Sellers under the Space Leases as of the date hereof. Schedule 3.2(b) identifies all Leasing Costs that are outstanding as of the date hereof.

(c) Supplemental Leases. Schedule 3.2(c) sets forth a correct and complete list of all Supplemental Leases as of the date hereof. Except as set forth on Schedule 3.2(c), (i) the Sellers have delivered or made available to the Buyer true and complete copies of each Assumed Supplemental Lease, including any amendments or modifications thereto, (ii) each Assumed Supplemental Lease contains the entire agreement between the relevant Seller and the landlord named therein, (iii) neither the Sellers nor, to the Sellers' Knowledge, the applicable Manager, has given or received any written notice of any breach or default under any Assumed Supplemental Lease that has not been cured, (iv) to the Sellers' Knowledge, each Assumed Supplemental Lease is in full force and effect, and (v) Schedule 3.2(c) identifies any security deposits posted by the Sellers in respect of the Supplemental Leases.

(d) Condemnation. As of the date hereof, there are no condemnation or eminent domain proceedings pending or, to the Sellers' Knowledge, threatened in writing against any Property.

(e) Litigation. There are no litigations, actions, suits, arbitrations, orders, decrees, claims, writs, injunctions, government investigations, proceedings pending or, to the Sellers' Knowledge, threatened in writing against any Seller or affecting any Seller or Property which, if determined adversely to such entity, would adversely affect such Seller or Property. No Seller is a party to or subject to the provision of any judgment, order, writ, injunction, decree or award of any Governmental Authority which would adversely affect such Seller or Property.

(f) Purchase Options. Except (1) as set forth on Schedule 3.2(f) hereto, (2) for the rights of hotel guests (as it relates to rights to occupy only), (3) the Permitted Exceptions and (4) for rights granted under any Space Leases (as it relates to rights to occupy only), Management Agreements, Franchise Agreements or Condominium Documents, there are no purchase contracts, rights of first offer, rights of first refusal, or other options or agreements of any kind, whereby any Person other than the Buyer has a right to lease, acquire title to or otherwise occupy all or any portion of any Property.

(g) Ownership of the Personal Property. The Sellers have good and valid title to the Personal Property and the same is (or will be at Closing) free and clear of all liens, charges and encumbrances, other than the rights of any vendors or suppliers under Contracts, any Permitted Exceptions and the rights, if any, of the Franchisor under any applicable Franchise Agreement and the Manager under any applicable Management Agreement.

(h) Environmental Matters. The Sellers have not received any written notice from any Governmental Authority of any material Environmental Claims, Environmental Liabilities or violations of any Environmental Laws with respect to any Property which has not been cured.
\

(i) Bankruptcy. No Seller is debtor under any bankruptcy proceedings, voluntary or involuntary, and has not made an assignment for the benefit of its creditors.

(j) Employees. The Sellers do not employ any Employees. All Employees who provide services at the Properties are employees of the applicable Manager and not the applicable Seller. Except for the Union Agreement or as set forth on Schedule 3.2(j), (i) none of the Sellers or, to the Sellers' Knowledge, any Manager is a party to any collective bargaining agreement or other contract or agreement with any labor organization that will be binding upon the Buyer (or its manager) after the Closing, nor, to

the Sellers' Knowledge, is any such agreement presently being negotiated, and there are no activities and proceedings of any labor organization to organize any Employees; (ii) to the Sellers' Knowledge, no labor strike, slowdown, work stoppage, dispute, lockout or other labor controversy is in effect or threatened; (iii) to the Sellers' Knowledge, no material unfair labor practice charge or complaint is pending or threatened against Seller or any Manager with respect to Employees; (iv) to the Sellers' Knowledge, no material grievance or arbitration proceeding is pending or threatened, against the Sellers or any Manager with respect to any Employees and (v) to the Sellers' Knowledge, each Manager is currently operating the Properties in compliance in all material respects with all laws applicable to its employment practices. Since December 2, 2010, none of the Sellers have established, contributed to or otherwise participated in, any retirement, health insurance, vacation, pension, profit sharing, fringe benefit or other benefit plans relating to the operation or maintenance of the property. To the Sellers' Knowledge, since December 2, 2010, each employee benefit plan covering Employees has been established and administered in accordance with its terms, and in compliance in all material respects with the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, the Code and other Applicable Laws.

(k) Insurance. The Sellers have delivered (or made available to) the Buyer complete and correct copies of insurance certificates evidencing the insurance coverage with respect to each Property which is in place on the date hereof.

(l) Management Agreements. Schedule 3.2(l) sets forth a true and complete list of each Management Agreement affecting any Property as of the date hereof. Except as set forth on Schedule 3.2(l), (i) the Sellers have delivered or made available to the Buyer true and complete copies of each Management Agreement, and (ii) the Sellers have not given or received any written notice of any breach or default under such Management Agreement that has not been cured.

(m) Franchise Agreements. Schedule 3.2(m) sets forth a true and complete list of each Franchise Agreement affecting any Property as of the date hereof. Except as set forth on Schedule 3.2(m), (i) the Sellers have delivered or made available to the Buyer true and complete copies of each Franchise Agreement, and (ii) the Sellers have not given or received any written notice of any breach or default under such Franchise Agreement that has not been cured.

(n) Condominium Documents. Schedule 3.2(n) contains a true and complete list of the material written agreements governing any condominium regime relating to a Property, including any amendments or modification thereto (collectively, the "Condominium Documents"), and the Sellers have delivered (or made available) to the Buyer true and complete copies of such Condominium Documents. Except as set forth on Schedule 3.2(n), (i) the Sellers have not given or received any written notice of any breach or default under any Condominium Document that has not been cured, and (ii) to the Sellers' Knowledge, the Condominium Documents are in full force and effect.

(o) Gaming Activities. No Seller derives revenues from gambling activities at any Property.

(p) Seller Financials. To the Sellers' Knowledge, each of the statements of operations of the Properties for the year ended December 31, 2011 and the interim period ended May 31, 2012 and comparable prior year period ended May 31, 2011 fairly presents in all material respects the results of operations of the Properties for the periods set forth therein. These financial statements have not been subject to the interim review procedures of an independent registered public accounting firm or to a year end audit. As such, these results may be subject to normal and recurring adjustments that arise during such procedures.

Section 3.3 Amendments to Schedules; Limitations on Representations and Warranties of the Sellers

(a) The Sellers shall have the right to amend and supplement the representations and warranties of the Sellers contained in this Agreement (including any schedules attached hereto) from time to time prior to the Closing to reflect changes since the Effective Date by providing a written copy of such amendment or supplement to the Buyer; provided, however, that (i) the Sellers shall not have the right to amend or supplement the representations and warranties of the Sellers contained in this Agreement to reflect any change in facts or circumstances that arises or results from a breach by the Sellers of the terms of this Agreement, and (ii) any amendment or supplement to the representations and warranties of the Sellers contained in this Agreement shall have effect only for purposes of limiting the defense and indemnification obligations of the Sellers post-Closing (should the Buyer elect to close notwithstanding any failure of the condition set forth in Section 5.2(a) to be satisfied) for the inaccuracy or untruth of the representation or warranty qualified by such amendment or supplement, and shall have no effect for purposes of determining whether the condition to the Buyer's obligation to close set forth in subsection 5.2(a) has been satisfied. Notwithstanding the foregoing, if the Buyer elects to close with the knowledge of, and notwithstanding, any such failure of a condition to its obligation to close, then the Buyer shall not be entitled to bring any claims against the Sellers following the Closing due to a breach of a representation or warranty based on any amendment or supplement described in this subsection 3.3(a).

(b) Notwithstanding anything in this Agreement to the contrary, if the representations and warranties relating to the Space Leases, Material Contracts, Assumed Material Contracts, Management Agreements, Supplemental Leases or Franchise Agreements set forth in Section 3.2 and the status of the tenants and contract parties thereunder (other than the Sellers or their affiliates) were true and correct as of the date of this Agreement, no change in circumstances or status of such tenants or contract parties (e.g., defaults, bankruptcies or other adverse matters relating to such tenants or contract parties) occurring after the date hereof shall permit the Buyer to terminate this Agreement or constitute grounds for the Buyer's failure to close unless such change in circumstance or status is caused by a breach by the Sellers of their obligations under this Agreement.

Section 3.4 Covenants of the Sellers Prior to Closing

From the date hereof until Closing, the Sellers shall:

(a) Insurance. Keep the Properties insured against fire and other hazards covered by the insurance policies maintained (or policies that are similar in all material respects) by the Sellers on the date of this Agreement.

(b) Operation. Operate and maintain each Property in the ordinary course of business and generally consistent with the Sellers' past practices with respect to such Property (including, without limitation, levels of FF&E, Consumables, Personal Property and other Asset-Related Property, and acceptance and pursuit of Bookings), except that the Sellers shall not be required to make any capital improvement or replacements to such Property.

(c) New Contracts. Not enter into any new third party Contracts or Supplemental Leases relating to any Assets, nor amend, supplement, waive any rights under, grant any consents under (other than mandatory consents pursuant to the terms thereof), terminate or otherwise modify any Assumed Contract, Assumed Supplemental Lease, Management Agreement or Franchise Agreement without the prior written consent of the Buyer, which consent may be granted or withheld in the Buyer's

reasonable discretion, provided, however:

(i) the Buyer's consent shall not be required with respect to any Contract or Supplemental Lease that (A) is entered into by a Seller in the ordinary course of business at, or for the benefit of, such Seller's Property, (B) is terminable on 30 days' notice without cost or penalty to the Buyer and (C) requires the payment of no more than $25,000 in any calendar year.

(ii) the Buyer's consent shall not be required with respect to any Contract which does not meet the requirements of clauses (A) through (C) of clause (i) above but is entered into by a Seller in connection with emergency maintenance or repairs at a Property; provided that such Seller shall pay all of the costs of such emergency maintenance or repairs and promptly notify the Buyer of the existence of same and provide a copy of the applicable documentation.

(iii) the Buyer shall not unreasonably withhold its consent to any Contract which does not meet the requirements of clause (A) through (C) of clause (i) above but which is entered into by such Seller in connection with tenant improvement work such Seller is required to perform for a Tenant pursuant to the express terms of a Space Lease.

If a Seller enters into any third party Contract or Supplemental Lease after the date of this Agreement with the approval of the Buyer or as permitted in clause (i) through (iii) above, then such Contract or Supplemental Lease shall be included in the definition of "Assumed Contract" or "Assumed Supplemental Lease" and added to Schedule 3.2(a)(ii) (to the extent such Contract is a Material Contract) or Schedule 3.2(c), as applicable, and shall be assigned to and assumed by the Buyer at the Closing in accordance with this Agreement. If the Buyer does not reject or approve a new Contract or Supplemental Lease, or an amendment or modification to a Contract, Supplemental Lease, Management Agreement or Franchise Agreement within five Business Days after receipt of a copy thereof and express written request which contains an all-caps, boldface reference to this Section 3.4(c) and the deemed consent provisions hereof, then the Buyer shall be deemed to have approved such Contract, Supplemental Lease or amendment or modification. Nothing in this Section 3.4(c) shall be deemed to restrict the Sellers' ability to enter into Bookings in the ordinary course of business.

(d) New Space Leases. Not enter into any new Space Leases without the prior consent of the Buyer, which consent may be granted or withheld in the Buyer's sole discretion. No Seller shall (i) execute any new lease, license or other occupancy agreement (other than in the ordinary course to hotel guests) (each, a "Lease"), (ii) amend, supplement, waive any rights under, grant any consents under (other than mandatory consents pursuant to the terms thereof), terminate, accept the surrender of, renew or otherwise modify any existing Space Lease or (iii) approve any assignment or sublease of any existing Space Lease. If a Seller enters into any new Lease, or renews any existing Space Lease (each such new Lease or renewal, a "New Lease") after the date of this Agreement with the approval of the Buyer, then each such New Lease shall be included in the definition of "Space Leases" herein and added to Schedule 3.2(b), and shall be assigned to and assumed by the Buyer at the Closing in accordance with this Agreement. If the Buyer does not reject or approve a new lease, license, occupancy agreement, renewal or a Space Lease amendment within five Business Days after receipt of a copy thereof and express written request which contains an all-caps, boldface reference to this Section 3.4(d) and the deemed consent provisions hereof, then the Buyer shall be deemed to have approved such new lease, license, occupancy agreement, renewal or Space Lease amendment.

(e) Litigation. Except for compulsory counterclaims or to the extent necessary to meet statute of limitations deadlines, not initiate or settle any material litigation with respect to the Assets, and advise the Buyer promptly of any litigation, arbitration proceeding or administrative hearing (including condemnation) before any Governmental Authority which materially affects such Seller or such Seller's Property and is instituted after the date of this Agreement.

(f) Performance under Agreements. Perform, or cause their agents to perform, all obligations of the applicable Seller under the Assumed Supplemental Leases, Assumed Material Contracts and Space Leases at or relating to such Seller's Property in all material respects, provided, however, that the Sellers shall not be required to make any capital improvement or replacements to any Property.

(g) Terminated Contracts. Terminate the Terminated Contracts. All termination fees and any other costs and expenses relating to such termination shall be the responsibility solely of the Sellers, and the Buyer shall have no responsibility or liability therefor. No Seller shall assign to the Buyer, and the Buyer shall not assume, any Terminated Contracts.

(h) Taxes, Charges, etc. Continue to pay or cause to be paid all Taxes, water and sewer charges and material obligations under the Material Contracts in the ordinary course of business.

(i) Transfer. From the date hereof until the earlier of the Closing Date or the termination of this Agreement, neither the Sellers nor any affiliate of the Sellers shall or shall cause any agent or representative of any of the foregoing to, market for sale, or engage in discussions or negotiations with any party other than the Buyer regarding an equity recapitalization or sale of all or a portion of the Properties (or an equity recapitalization or sale of the direct or indirect interests in all or a portion of the Properties).

(j) Material Notices. Provide the Buyer with written notice of all material written notices received with respect to the Assets promptly following receipt thereof.

(k) Cooperation. The Sellers agree to reasonably cooperate with the Buyer, at the Buyer's request and at the Buyer's sole cost and expense, in connection with the Buyer's attempts to issue Common Stock prior to the Closing Date in connection with the transactions contemplated by this Agreement, including without limitation by providing information relating to the Assets upon request and making representatives available to discuss the Assets. The Buyer shall indemnify and hold harmless the Sellers and the Seller-Related Entities from and against any and all Losses suffered or incurred by them in connection with alleged violations of securities laws relating to the Buyer's financing for the transactions contemplated by this Agreement (other than in respect of information provided by the Sellers and their affiliates).

(l) Excluded Assets. Nothing in this Section 3.4 shall restrict the Sellers' rights with respect to any of the Excluded Assets described in clauses (i) or (iii) of the definition thereof or give the Buyer any approval or other rights with respect thereto.

Section 3.5 Bookings

The Buyer shall honor all existing Bookings and all other Bookings made in accordance with this Agreement for any period beginning on or after the Closing Date.

Section 3.6 Gaming Activities

The Sellers shall not generate revenues from gambling activities at any Property.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND CERTAIN COVENANTS OF THE BUYER

Section 4.1 Representations and Warranties of the Buyer

The Buyer hereby represents and warrants to the Sellers as of the date of this Agreement and as of the Closing Date, except as disclosed in the Buyer Reports filed prior to the date hereof (excluding disclosures contained in any risk factors or “forward-looking statements” or any other disclosures in the Buyer Reports to the extent forward-looking in nature), as follows:

(a) Formation; Existence

It is a corporation duly incorporated, validly existing and in good standing under the laws

of the State of Maryland.

(b) Power and Authority

(i) It has all requisite corporate power and authority to enter into this Agreement and the Closing Documents to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Closing Documents to which it is a party and the consummation of the transactions provided for in this Agreement and the Closing Documents to which it is a party have been duly authorized by all necessary action on its part, and no vote of the holders of capital stock of the Buyer is necessary to approve any of the transactions provided for in this Agreement and the Closing Documents to which it is a party. This Agreement has been duly executed and delivered by it and constitutes, and the Closing Documents to be executed and delivered by it, when executed and delivered at the Closing and assuming due authorization, execution and delivery by each Seller, will constitute, its legal, valid and binding obligation, enforceable against it in accordance with their terms (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights and by general principles of equity (whether applied in a proceeding at law or in equity)).

(ii) The Buyer has taken all action required to be taken by it so that the execution and delivery of this Agreement and the Closing Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, including the issuance of the Share Consideration, will be exempt from the requirements of any “fair price”, “moratorium”, “control share acquisition”, “affiliate transaction”, “business combination” or other anti-takeover statute of the State of Maryland.

(c) No Consents

No consent, license, approval, order, permit or authorization of, or registration, filing or declaration with, any Governmental Authority or any other Person is required to be obtained or made in connection with the Buyer's execution, delivery and performance of this Agreement, the Closing Documents to which it is a party or any of the transactions required or contemplated hereby or thereby, except for an additional listing application to be filed with the New York Stock Exchange and for filings to be made under the Securities Act or the Exchange Act.

(d) No Conflicts

The execution, delivery and compliance with, and performance of the terms and provisions of, this Agreement and the Closing Documents to which it is a party does not and will not (with or without notice or lapse of time or both) (i) conflict with or result in any violation of its organizational documents, (ii) conflict with or result in any violation of any provision of any bond, note or other instrument of indebtedness, contract, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it or its subsidiaries are bound or subject, (iii) violate any Applicable Law relating to the Buyer or its subsidiaries or their respective properties or (iv) result in the creation or imposition of any lien, charge or encumbrance upon the Share Consideration.

(e) Intentionally omitted

(f) Capitalization

(i) As of the date hereof, the authorized capital stock of the Buyer consists of 400,000,000 shares of common stock, par value $0.01 per share (the “Common Stock”), and 10,000,000 shares of preferred stock, $0.01 par value per share (the “Preferred Stock”). As of the close of business on the date prior to the date hereof, 167,930,396 shares of Common Stock are

issued and outstanding, all of which were validly issued, fully paid and non-assessable and were issued free of preemptive rights, no shares of Preferred Stock are issued and outstanding and there are up to 1,393,181 restricted shares and options to purchase shares of Common Stock issued pursuant to the Buyer's employee benefit plans. Except as set forth in the immediately preceding sentence, as of the date hereof, there are not outstanding or authorized any (A) capital stock, equity securities or voting securities of the Buyer, (B) except for units of the Buyer's operating partnership (Diamond Rock Hospitality Limited Partnership), all of which are held by the Buyer or a wholly-owned subsidiary of the Buyer, securities of the Buyer or any subsidiary convertible into or exchangeable for capital stock, equity securities or voting securities of the Buyer or (C) options or other rights to acquire from the Buyer, and other than the Share Consideration, shares of Common Stock that may be issued in connection with financing the Cash Consideration and shares of Common Stock to be issued pursuant to the Buyer's employee benefit plans, no obligation of the Buyer to issue, any capital stock or equity securities, voting securities or securities convertible or exchangeable for such shares of capital stock or other equity interests or voting securities of the Buyer. Except as set forth in the Registration Rights Agreement, the Buyer has not granted or agreed to grant to any person any rights (including "piggy-back" registration rights) to have any securities of the Buyer registered with the SEC or any other governmental authority that have not been satisfied, and except for customary adjustments as a result of share splits, combinations of shares, stock dividends, reorganizations, recapitalizations, reclassifications or other similar events, there are no anti-dilution or price adjustment provisions contained in any security issued by the Buyer (or in any agreement providing rights to security holders) and the issuance and sale of the Share Consideration will not obligate the Buyer to issue securities to any person (other than the Sellers) and will not result in an adjustment to (or provide any Person the right to adjust) the exercise, conversion, exchange or reset price under such securities.

(ii) The Share Consideration has been duly authorized and, when issued and delivered pursuant to this Agreement, will be validly issued, fully paid and non-assessable, and free and clear of any preemptive rights, all liens and any other restrictions (other than restrictions imposed by the Buyer's organizational documents and federal and state securities laws, and restrictions imposed on the Share Consideration as set forth in the Registration Rights Agreement). Assuming the accuracy of the representations and warranties of the Sellers set forth in subsections 3.1(g) and 3.1(h), the issuance and delivery of the Share Consideration is exempt from the registration requirements of the Securities Act and of applicable state securities and "blue sky" laws, and neither the Buyer nor any authorized representative or agent acting on the Buyer's behalf has taken or will take any action hereafter that would cause the loss of such exemption. As of the date of this Agreement, the Buyer is eligible to register the Share Consideration for resale by the Sellers using Form S-3 promulgated under the Securities Act.

(iii) As of the date of this Agreement, there is no outstanding indebtedness for borrowed money of the Buyer or its subsidiaries in excess of $50,000,000 in principal amount, other than indebtedness reflected in the Buyer's consolidated balance sheet as of March 23, 2012 included in its Form 10-Q for the quarter ended March 23, 2012 or in the notes thereto.

(iv) The Buyer does not have a "poison pill" or similar stockholder rights plan.

(g) Buyer Reports; Financial Statements.

(i) The Buyer has filed or furnished, as applicable, on a timely basis, all forms, statements, certifications, reports and documents required to be filed or furnished by it with the SEC pursuant to the Securities Act or the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act") since January 1, 2010 (the

forms, statements, certifications, reports and documents filed or furnished since January 1, 2010 and those filed or furnished subsequent to the date hereof through and including the Closing Date, including any amendments thereto, the "Buyer Reports"). Each of the Buyer Reports, at the time of its filing or being furnished, complied or, if not yet filed or furnished, will comply, in all material respects with the applicable requirements of the Securities Act and the Exchange Act. As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the Buyer Reports did not, and any the Buyer Reports filed with or furnished to the SEC on or prior to the Closing Date will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. As of the date of this Agreement, there are no material outstanding or unresolved comments received from the SEC staff with respect to the Buyer Reports.

(ii) Each of the consolidated balance sheets included in or incorporated by reference into the Buyer Reports (including the related notes and schedules) fairly presents in all material respects, or, in the case of the Buyer Reports filed after the date hereof, will fairly present in all material respects, the consolidated financial position of the Buyer and its consolidated subsidiaries as of its date and each of the statements of consolidated income, cash flows and stockholders' equity included in or incorporated by reference into the Buyer Reports (including any related notes and schedules) fairly presents in all material respects, or in the case of the Buyer Reports filed after the date hereof, will fairly present in all material respects the financial position, results of operations and cash flows, as the case may be, of the Buyer and its consolidated subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and year-end adjustments), in each case in accordance with GAAP applied on a consistent basis throughout the periods indicated, except as may be noted therein and in compliance with, in all material respects, applicable accounting requirements and the rules and regulations of the SEC.

(iii) Neither the Buyer nor any of its subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) other than liabilities and obligations (A) set forth in the Buyer's consolidated balance sheet as of March 23, 2012 included in its Form 10-Q for the quarter ended March 23, 2012 or in the notes thereto, (B) incurred in the ordinary course of business consistent with past practice since March 23, 2012 or (C) which would not reasonably be expected to have a Buyer Material Adverse Effect.

(h) Litigation

There are no litigations, actions, suits, arbitrations, orders, decrees, claims, writs, injunctions, government investigations, proceedings pending or, to the Buyer's Knowledge, threatened in writing against the Buyer or its subsidiaries which, if determined adversely to such entity, would adversely affect the ability of the Buyer to perform its obligations hereunder or would reasonably be likely to have a Buyer Material Adverse Effect. Neither the Buyer nor any of its subsidiaries is a party to or subject to the provisions of any judgment, order, writ, injunction, decree or award of any Governmental Authority which would adversely affect the ability of the Buyer to perform its obligations hereunder or would reasonably be likely to have a Buyer Material Adverse Effect.

(i) REIT Status

. The Buyer (A) for all taxable years commencing with the taxable year ended December 31, 2005, through December 31, 2011, has been subject to taxation as a real estate investment trust within the meaning of Section 856 of the Code (a "REIT") and has satisfied all requirements to qualify as a REIT for such years; (B) has operated since December 31, 2011 in a manner consistent with the requirements for qualification and taxation as a REIT; and (C) intends to continue to operate in such a manner as to qualify as a REIT for the current taxable year. To the Buyer's Knowledge, none of the

transactions contemplated by this Agreement will prevent the Buyer from so qualifying. No subsidiary of the Buyer is a REIT.

(j) Compliance with Laws. The business of each of the Buyer and its subsidiaries have not been since December 31, 2011, and are not being, conducted in violation of any Applicable Law, including the FCPA and any OFAC regulations, and none of the Buyer or its subsidiaries is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Buyer or any of its subsidiaries under), nor has the Buyer or its subsidiaries received written notice of a claim that it is in default under or that it is in violation of, any agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), in each case except for defaults or violations that would not reasonably be likely to have a Buyer Material Adverse Effect.

(k) Absence of Certain Changes. Except as disclosed in the Buyer Reports filed prior to the date hereof, since December 31, 2011 and through the date of this Agreement, (i) the Buyer and its subsidiaries have conducted their respective businesses in the ordinary and usual course of such businesses consistent with past practice, (ii) there has not been an effect, event, development or change that, individually or in the aggregate with all other effects, events, developments and changes, has had or would reasonably be likely to have a Buyer Material Adverse Effect, (iii) the Buyer has not altered its method of accounting in any material respect or the identity of its auditors, and (iv) the Buyer has not declared or made any dividend or distribution (other than regular quarterly cash dividends with respect to its Common Stock, not in excess of $0.08 per share, with usual declaration, record and payment dates and in accordance with the Buyer's past dividend policy), or purchased, redeemed or made any agreements to purchase or redeem any shares of Common Stock except for repurchases of shares of Common Stock held by employees upon the termination of employment or in satisfaction of tax withholdings.

(l) Amendment to the Buyer Representations. The Buyer shall have the right to amend and supplement the representations and warranties of the Buyer contained in this Agreement (including any schedules attached hereto) from time to time prior to the Closing to reflect changes since the Effective Date by providing a written copy of such amendment or supplement to the Sellers; provided, however, that (i) the Buyer shall not have the right to amend or supplement the representations and warranties of the Buyer contained in this Agreement to reflect any change in facts or circumstances that arises or results from a breach by the Buyer of the terms of this Agreement, and (ii) any amendment or supplement to the representations and warranties of the Buyer contained in this Agreement shall have effect only for purposes of limiting the defense and indemnification obligations of the Buyer post-Closing (should the Sellers elect to close notwithstanding any failure of the condition set forth in subsection 5.1(a)) for the inaccuracy or untruth of the representation or warranty qualified by such amendment or supplement, and shall have no effect for purposes of determining whether the condition to Sellers' obligation to close set forth in subsection 5.1(a) has been satisfied. Notwithstanding the foregoing, if the Sellers elect to close with knowledge of, and notwithstanding any such failure of a condition to their obligation to close, then the Sellers shall not be entitled to bring any claims against the Buyer following the Closing due to a breach of a representation or warranty based on any amendment or supplement described in this subsection 4.1(l).

Section 4.2 Certain Interim Covenants of the Buyer

(a) Interim Operations. The Buyer covenants and agrees that, after the date

hereof and through the Closing Date (unless the Sellers shall otherwise approve in writing (such approval not to be unreasonably withheld, conditioned or delayed)), and except as otherwise expressly contemplated by this Agreement or as required by Applicable Laws, the business of the Buyer and its subsidiaries shall be conducted in all material respects in the ordinary course consistent with past practice; provided that the foregoing shall not restrict the Buyer from any actions necessary or appropriate to consummate the transactions contemplated hereby, including, without limitation, taking actions in order to finance the Cash Consideration including issuing debt or equity in connection with financing the Cash Consideration.

(b) Dividends. The Buyer covenants and agrees that, after the date hereof and through the Closing Date, the Buyer shall not declare or make any dividend or distribution other than regular quarterly cash dividends with respect to its Common Stock, not in excess of $0.08 per share, with usual declaration record and payment dates and in accordance with the Buyer's past dividend policy.

(c) NYSE Listing. The Buyer shall use its reasonable best efforts to cause the Share Consideration to be approved for listing on the New York Stock Exchange prior to the Closing Date.

ARTICLE V

CONDITIONS PRECEDENT TO CLOSING

Section 5.1 Conditions Precedent to the Sellers' Obligations

The obligation of the Sellers to consummate the transfer of the Assets to the Buyer on the Closing Date is subject to the satisfaction (or waiver by the Sellers) as of the Closing of the following conditions:

(a) Each of the representations and warranties made by the Buyer in this Agreement that are not qualified by Buyer Material Adverse Effect shall be true and correct in all material respects when made and on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (unless such representation or warranty is made on and as of a specific date, in which case it shall be true and correct in all material respects as of such date) and each of the representations and warranties made by the Buyer that are qualified by Buyer Material Adverse Effect shall be true and correct when made without giving effect to any other qualifications or limitations as to materiality set forth therein.

(b) Since the date of this Agreement, there shall not have been an effect, event, development or change that, individually or in the aggregate with all other effects, events, developments and changes, has had or would be reasonably likely to have a Buyer Material Adverse Effect; provided, however, if the Sellers claim in good faith that the condition in this subsection 5.1(b) shall not be satisfied as of the Closing Date, then they shall make such assertion in a written notice delivered to the Buyer on or prior to the Closing Date, which notice shall set forth in reasonable detail the reasons for such claim. The Buyer shall have a period of ten (10) Business Days from receipt of such notice to deliver written notice to the Sellers of the Buyer's election (such election, the "Cash Consideration Election") to consummate the Closing without providing the Share Consideration by causing the portion of the Cash Consideration to be paid at Closing to be increased to $495,000,000. If the Buyer delivers written notice of the Cash Consideration Election within the time period required above, (i) the Closing shall be adjourned to the date specified in the Buyer's written notice of the Cash Consideration Election, which date shall not exceed five (5) Business Days from the date of the Cash Consideration Election, in order to make the necessary arrangements and revisions to this Agreement to reflect the following provisions, (ii) the condition set forth in this subsection 5.1(b) shall be deemed omitted from this Agreement, (iii) the representations and warranties set forth in subsection 4.1(b)(ii) and 4.1(f) through 4.1(k), shall be deemed omitted from this Agreement (including for purposes of determining whether the condition in subsection 5.1(a) shall have been satisfied), (iv) the covenants set forth in Section 4.2 shall be deemed omitted from

this Agreement (including for purposes of determining whether the condition in subsection 5.1(c) shall have been satisfied), (v) all provisions and deliverables associated with the Share Consideration, the Registration Rights Agreement and all other related matters shall be deemed omitted from this Agreement and (vi) except as provided in the preceding clauses (ii) through (v), all other conditions to each party's obligation to consummate the transactions under this Agreement shall be satisfied (or waived by such party) as of the adjourned Closing Date. If the Buyer fails to make the Cash Consideration Election within the time period required under this subsection 5.1(b), then the condition to the Sellers' obligation to close contained in this subsection 5.1(b) shall be deemed not to have been satisfied and the provisions of subsection 13.1(a)(i) and subsection 13.1(b) shall apply. Upon making the Cash Consideration Election pursuant to this subsection 5.1(b), the Buyer's right to adjourn the Closing Date under subsection 2.3(c) of this Agreement shall automatically terminate and be of no further force or effect.

(c) The Buyer shall have performed or complied in all material respects with each material obligation and material covenant required by this Agreement to be performed or complied with by the Buyer on or before the Closing;

(d) The Sellers shall have received a duly executed officer's certificate from the Buyer certifying as to the matters set forth in clauses (a) through (c) above.

(e) The Sellers shall have received all of the documents required to be delivered by the Buyer under Article VI;

(f) The Sellers shall have received the Cash Consideration and the Share Consideration in accordance with Section 2.2 and all other amounts due to the Sellers hereunder; and

(g) No order or injunction of any court or administrative agency of competent jurisdiction nor any statute, rule, regulation or executive order promulgated by any governmental authority of competent jurisdiction shall be in effect as of the Closing which restrains or prohibits the transfer of the Assets or the consummation of any other transaction contemplated hereby.

Section 5.2 Conditions Precedent to the Buyer's Obligations

The obligation of the Buyer to purchase and pay for the Assets is subject to the satisfaction (or waiver by the Buyer) as of the Closing of the following conditions:

(a) Each of the representations and warranties made by each Seller in this Agreement shall be true and correct in all material respects when made and on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (unless such representation or warranty is made on and as of a specific date, in which case it shall be true and correct in all material respects as of such date).

(b) Each Seller shall have performed or complied in all material respects with each material obligation and material covenant required by this Agreement to be performed or complied with by such Seller on or before the Closing;

(c) The Buyer shall have received a duly executed and sworn officer's certificate from the Sellers certifying as to the matters set forth in clauses (a) and (b) above;

(d) No order or injunction of any court or administrative agency of competent jurisdiction nor any statute, rule, regulation or executive order promulgated by any governmental authority of competent jurisdiction shall be in effect as of the Closing which restrains or prohibits the transfer of the applicable Assets or the consummation of any other transaction contemplated hereby;

(e) Title to each Property shall be delivered to the Buyer in the manner required under Section 8.1; and

(f) The Buyer shall have received all of the documents required to be delivered by the Sellers under Article VI.

ARTICLE VI

CLOSING DELIVERIES

Section 6.1 Buyer Deliveries

The Buyer shall deliver the following documents at Closing:

(a) evidence that the Share Consideration has been issued and delivered to the Sellers as provided in Section 2.2;

(b) by wire transfer of immediately available federal funds, the Balance of the Cash Consideration;

(c) an assignment and assumption of landlord's interest in the Space Leases at each Property (each, an "Assignment of Leases"), duly executed by the Buyer in substantially the form of Exhibit B hereto;

(d) an assignment and assumption of the Assumed Contracts with respect to each Property (each, an "Assignment of Contracts") duly executed by the Buyer in substantially the form of Exhibit C hereto;

(e) subject to Section 14.2 with respect to the San Diego Business Center Lease, an assignment and assumption of the Assumed Supplemental Leases with respect to the Assumed Supplemental Leases (each, an "Assignment of Assumed Supplemental Leases") duly executed by the Buyer in substantially the form of Exhibit M hereto;

(f) an assignment and assumption of the Union Agreement in substantially the form attached as Exhibit D or in such other form as may be approved by the Union and reasonably acceptable to the Buyer and the Sellers (the "Assignment of Union Contract"), duly executed by the Buyer;

(g) subject to Section 14.1, an assignment and assumption of Franchise Agreement with respect to the Franchise Agreement relating to the Westin San Diego Property and the Westin Washington DC Property in the form attached hereto as Exhibit E, with such modifications thereto as may be approved by Westin Hotel Management, L.P. and reasonably acceptable to the Buyer and the Sellers (each, an "Assignment of Franchise Agreement"), duly executed by the Buyer;

(h) subject to Section 14.1, a termination of the Franchise Agreement with respect to the Franchise Agreement relating to the Hilton Boston Property and the Hilton Burlington Property, each in substantially the form attached as Exhibit Q hereto (each, a "Termination of Franchise Agreement"), duly executed by Hilton Franchise LLC;

(i) subject to Section 14.1, an assignment and assumption of Management Agreement with respect to each Management Agreement other than the WHM Management Agreement (each, an "Assignment of Management Agreement"), duly executed by the Buyer in substantially the form of Exhibit F hereto;

(j) the Interim Management Agreement relating to the Hilton Boston Property (the "Interim Management Agreement"), duly executed by the Buyer in substantially the form of Exhibit R hereto;

(k) the Registration Rights and Lock-Up Agreement attached hereto as Exhibit A (the "Registration Rights Agreement"), duly executed by the Buyer;

(l) a notice letter to the Tenants at each Property, the counterparties under each Assumed Supplemental Lease (collectively, the "Transfer Notices") duly executed by the Buyer, in the forms of Exhibit G attached hereto;

(m) an Assignment of Licenses, Permits, Warranties and General Intangibles of each Seller, duly executed by the Buyer;

(n) such other assignments, instruments of transfer, and other documents as the Sellers may reasonably require in order to complete the transactions contemplated hereunder, in each case, duly executed by the Buyer;

(o) a duly executed and sworn Secretary's Certificate from the Buyer certifying that the Buyer has taken all necessary action to authorize the execution of all documents being delivered hereunder and the consummation of all of the transactions contemplated hereby and that such authorization has not been revoked, modified or amended;

(p) an executed and acknowledged Incumbency Certificate from the Buyer certifying the authority of the officers of the Buyer to execute this Agreement and the other documents delivered by the Buyer to the Sellers at the Closing;

(q) all transfer tax returns, to the extent required by law and the regulations issued pursuant thereto, in connection with the payment of all state or local real property transfer taxes that are payable or arise as a result of the consummation of the transactions contemplated by this Agreement, in each case, as prepared by the relevant Seller and duly executed by the Buyer;

(r) a closing statement prepared by the Title Company and approved by the Sellers and the Buyer, consistent with the terms of this Agreement (the "Closing Statement"); duly executed by the Buyer;

(s) the letter agreement with respect to "venture capital operating company" matters in the form attached hereto as Exhibit S (the "VCOC Letter Agreement"), duly executed by the Buyer;

(t) a Preliminary Change of Ownership Report with respect to the Westin San Diego Property, duly executed and acknowledged by the Buyer; and

(u) a Vermont Property Transfer Tax Return and a Vermont Non-Residential Real Estate Withholding Return (Form RW-171), each, duly executed and acknowledged by the Buyer**.**

Section 6.2 Sellers Deliveries

The Sellers shall deliver the following documents at Closing:

(a) with respect to each Property, a deed (a "Deed") in substantially the form attached hereto as Exhibits H-1 through H-4, as applicable, duly executed and acknowledged by the relevant Seller;

(b) an Assignment of Leases with respect to the Space Leases at each Property, duly executed by the relevant Seller;

(c) an Assignment of Contracts with respect to the Assumed Contracts at each Property, duly executed by the relevant Seller;

(d) subject to Section 14.2 with respect to the San Diego Business Center Lease, an Assignment of Assumed Supplemental Leases, duly executed by the relevant Seller;

(e) a bill of sale with respect to the Personal Property located at each Property, (a "Bill of Sale") duly executed by the relevant Seller in substantially the form of Exhibit I hereto;

(f) an assignment of all warranties, permits, licenses and intangibles with respect to each Property, each in the form of Exhibit J attached hereto (an "Assignment of Licenses, Permits, Warranties and General Intangibles"), duly executed by the relevant Seller;

(g) subject to Section 14.1, an Assignment of Franchise Agreement with respect to the Franchise Agreements relating to the Westin San Diego Property and the Westin Washington DC Property, duly executed by the relevant Seller;

(h) subject to Section 14.1, a Termination of Franchise Agreement with respect to the Franchise Agreements relating to the Hilton Boston Property and the Hilton Burlington Property, duly executed by the relevant Seller;

(i) subject to Section 14.1, an Assignment of Management Agreement with respect to each Management Agreement other than the WHM Management Agreement, duly executed by the relevant Seller;

(j) a termination of the WHM Management Agreement in substantially the form of Exhibit N hereto, duly executed by the relevant Seller and WHM;

(k) the Interim Management Agreement, duly executed by WHM;

(l) payoff letters from the lender(s) with respect to the Existing Financing;

(m) the Registration Rights Agreement, duly executed by an affiliate of the Sellers named therein;

(n) the Transfer Notices, duly executed by the relevant Seller;

(o) the Assignment of Union Contract, duly executed by the relevant Seller;

(p) such other assignments, instruments of transfer, and other documents as the Buyer may reasonably require in order to complete the transactions contemplated hereunder, in each case, duly executed by the applicable Seller;

(q) a duly executed and sworn Secretary's Certificate from each Seller certifying that such Seller has taken all necessary action to authorize the execution of all documents being delivered hereunder and the consummation of all of the transactions contemplated hereby and that such authorization has not been revoked, modified or amended;

(r) an executed and acknowledged Incumbency Certificate from each Seller certifying the authority of the officers of such Seller to execute this Agreement and the other documents delivered by such Seller to the Buyer at the Closing;

(s) all transfer tax returns which are required by law and the regulations issued pursuant thereto in connection with the payment of all state or local real property transfer taxes that are payable or arise as a result of the consummation of the transactions contemplated by this Agreement, in each case, as prepared and duly executed by the relevant Seller;

(t) an affidavit that the relevant Seller is not a “foreign person” within the meaning of the Foreign Investment in Real Property Tax Act of 1980, as amended, in substantially the form of Exhibit K hereto;

(u) the Closing Statement, duly executed by the Sellers;

(v) a Title Affidavit, duly executed by each Seller;

(w) resignation of the members of the condominium board with respect to the Westin San Diego Property which were appointed by a Seller;

(x) the originals, or if unavailable, copies of all permits, licenses and material governmental approvals in the possession of Seller, if any, including, without limitation, the current certificates of occupancy, Franchise Agreements, Assumed Contracts, books and records relating to the Assets, Space Leases and Supplemental Leases. Posting of such items on the electronic datasite for the transaction on or prior to the Closing Date or the location of such items at the applicable Property on the Closing Date shall constitute delivery to the Buyer;

(y) all combinations to safes, keys, codes, and passcards relating to the operation of the Assets. Posting of such items on the electronic datasite for the transaction on or prior to the Closing Date or the location of such items at the applicable Property on the Closing Date shall constitute delivery to the Buyer;

(v) the VCOC Letter Agreement, duly executed by certain affiliates of the Sellers named therein;

(z) a California Form 593-C Real Estate Withholding Certificate with respect to the Westin San Diego Property, duly executed and acknowledged by the relevant Seller; and

(aa) a Vermont Property Transfer Tax Return, duly executed and acknowledged by the relevant Seller.

Section 6.3 Cooperation

In the event any Asset-Related Property is not assignable (such as a letter of credit that is not transferable), the Sellers shall use commercially reasonable efforts to provide the Buyer, at no cost to the Sellers, with the economic benefits of such property by enforcing rights in such property (at the Buyer's direction) for the benefit and at the expense of the Buyer or by reasonably cooperating with the

Buyer's efforts to obtain replacements for such Asset-Related Property, at the sole cost and expense of the Buyer.

ARTICLE VII

INSPECTION

Section 7.1 General Right of Inspection

Prior to the Closing, the Buyer and its agents shall have the right, upon reasonable prior written notice to the Sellers (which shall in any event be at least 24 hours in advance) and at the Buyer's sole cost, risk and expense, to inspect each Property during normal business hours, provided, however, that any such inspection shall not unreasonably impede the normal day-to-day business operation of such Property and, provided, further, that a representative of the Seller shall be entitled to accompany the Buyer and its agents on such inspection (it being agreed that the Sellers shall use commercially reasonable efforts to make its agents available during the Buyer's preferred times for any such inspection upon prior reasonable notice). Notwithstanding the foregoing, the Buyer shall not have the right to interview any tenants, hotel guests or licensees, or other users or occupants of such Property, without the prior written consent of the Sellers (which may be granted or denied in the Sellers' reasonable discretion), or to do any invasive testing of such Property without the prior written consent of the Sellers (which may be granted or denied in the Sellers' sole and absolute discretion). A representative of the Sellers shall be entitled to accompany the Buyer and its agents on any such permitted interviews and testing, provided, however, that the Buyer may consult with its advisors, potential operators and sales people without the Sellers being present. The Buyer's right of inspection of each Property shall be subject to the rights of tenants under the Space Leases, hotel guests and licensees, the rights of the Manager under the relevant Management Agreement and the rights of the Franchisor under the relevant Franchise Agreement, as applicable. Prior to any such inspection, the Buyer shall deliver to the Sellers certificates reasonably satisfactory to the Sellers evidencing that the Buyer's consultants and agents carry and maintain such general liability insurance policies with such companies and in such scope and amounts as are acceptable to the Sellers in their reasonable discretion, in all cases naming the relevant Seller as an additional insured and loss payee thereunder. The Buyer hereby indemnifies and agrees to defend and hold the Sellers harmless from and against all Losses arising out of, resulting from relating to or in connection with or from any such inspection by the Buyer or its agents, except to the extent (i) such claim or damage was caused solely by the Sellers or the Sellers' agents or (ii) the Losses relate to a pre-existing condition at any Asset that was merely discovered but not created or exacerbated by the Buyer. At the Sellers' request, the Buyer will promptly furnish to the Sellers copies of any environmental or engineering reports (which did not contain any proprietary information regarding the Buyer) received by the Buyer relating to any inspections of any Property. The provisions of this Section 7.1 shall survive the Closing and/or any termination of this Agreement. Notwithstanding the foregoing rights to inspect, the Buyer acknowledges that there is no “due diligence period” or “due diligence termination right” in this Agreement and the Buyer does not have the right to terminate this Agreement based on the results of such inspections other than pursuant to an express termination right set forth in this Agreement.

Section 7.2 Examination

(a) Before entering into this Agreement, the Buyer has made such examination of the Assets and all other matters affecting or relating to the transactions contemplated hereunder as the Buyer has deemed necessary. In entering into this Agreement, the Buyer has not been induced by and has not relied upon any written or oral representations, warranties or statements, whether express or implied, made by the Seller or any partner or member of the Sellers, or any affiliate, agent, employee, or other representative of any of the foregoing, or by any broker or any other Person representing or

purporting to represent the Sellers with respect to the Assets, the Condition of the Assets or any other matter affecting or relating to the transactions contemplated hereby, other than those expressly set forth in this Agreement. The Buyer's obligations under this Agreement shall not be subject to any contingencies, diligence or conditions except as expressly set forth in this Agreement. The Buyer acknowledges and agrees that, except as expressly set forth herein, the Sellers make no representations or warranties whatsoever, whether express or implied or arising by operation of law, with respect to any Assets or the Condition of the Assets. THE BUYER AGREES THAT THE ASSETS WILL BE SOLD AND CONVEYED TO (AND ACCEPTED BY) THE BUYER AT THE CLOSING IN THEN EXISTING CONDITION OF THE ASSETS, AS IS, WHERE IS, WITH ALL FAULTS, AND WITHOUT ANY WRITTEN OR VERBAL REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW, OTHER THAN AS EXPRESSLY SET FORTH IN THIS AGREEMENT. Without limiting the generality of the foregoing, except as set forth in this Agreement, the transactions contemplated by this Agreement are without statutory, express or implied warranty, representation, agreement, statement or expression of opinion of or with respect to the Condition of the Assets or any aspect thereof, including, without limitation, (i) any and all statutory, express or implied representations or warranties related to the suitability for habitation, merchantability, or fitness for a particular purpose, (ii) any statutory, express or implied representations or warranties created by any affirmation of fact or promise, by any description of the Assets, or by operation of law and (iii) all other statutory, express or implied representations or warranties by the Sellers whatsoever. The Buyer acknowledges that the Buyer has knowledge and expertise in financial and business matters that enable the Buyer to evaluate the merits and risks of the transactions contemplated by this Agreement. For purposes of this Agreement, the term "Condition of the Assets" means the following matters:

i. Physical Condition of the Property. The quality, nature and adequacy of the physical condition of each Property, including, without limitation, the quality of the design, labor and materials used to construct the improvements included in such Property; the condition of structural elements, foundations, roofs, glass, mechanical, plumbing, electrical, HVAC, sewage, and utility components and systems; the capacity or availability of sewer, water, or other utilities; the geology, flora, fauna, soils, subsurface conditions, groundwater, landscaping, and irrigation of or with respect to such Property, the location of such Property in or near any special taxing district, flood hazard zone, wetlands area, protected habitat, geological fault or subsidence zone, hazardous waste disposal or clean-up site, or other special area, the existence, location, or condition of ingress, egress, access, and parking; the condition of the personal property and any fixtures; and the presence of any asbestos or other Hazardous Materials, dangerous, or toxic substance, material or waste in, on, under or about such Property and the improvements located thereon. "Hazardous Materials" means (A) those substances included within the definitions of any one or more of the terms "hazardous substances," "toxic pollutants," "hazardous materials," "toxic substances," and "hazardous waste" or otherwise characterized as hazardous, toxic, or harmful to human health or the environment, under Environmental Laws, (B) petroleum, radon gas, lead based paint, asbestos or asbestos containing material and polychlorinated biphenyls and (C) mold or water conditions which may exist at such Property or other matters governed by any applicable federal, state or local law or statue.

ii. Adequacy of the Assets. The economic feasibility, cash flow and expenses of any Asset, and habitability, merchantability, fitness, suitability and adequacy of any Property for any particular use or purpose.

iii. Legal Compliance of the Assets. The compliance or non-compliance of any Seller or the operation of any Property or any part thereof in accordance with, and the contents of, (A) all codes, laws, ordinances, regulations, agreements, licenses, permits, approvals and

applications of or with any governmental authorities asserting jurisdiction over such Property, including, without limitation, those relating to zoning, building, public works, parking, fire and police access, handicap access, life safety, subdivision and subdivision sales, and Hazardous Materials, dangerous, and toxic substances, materials, conditions or waste, including, without limitation, the presence of Hazardous Materials in, on, under or about such Property that would cause state or federal agencies to order a cleanup of such Property under any applicable legal requirements, all Vermont environmental statutes and regulations, including but not limited to Vermont Act 250 (10 V.S.A. §§ 6001 et seq.) and the Vermont Environmental Protection Rules and (B) all agreements, covenants, conditions, restrictions (public or private), condominium plans, development agreements, site plans, building permits, building rules, and other instruments and documents governing or affecting the use, management, and operation of such Property.

iv. Matters Disclosed in the Schedules and the Asset File. Those matters referred to in this Agreement and the documents listed on the Schedules attached hereto and the matters disclosed in the Asset File, although the foregoing shall not qualify any of the representations and warranties expressly set forth in this Agreement.

v. Insurance. The availability, cost, terms and coverage of liability, hazard, comprehensive and any other insurance of or with respect to any Property.

vi. Condition of Title. Except as expressly provided in this Agreement to the contrary, the condition of title to any Property, including, without limitation, vesting, legal description, matters affecting title, title defects, liens, encumbrances, boundaries, encroachments, mineral rights, options, easements, and access; violations of restrictive covenants, zoning ordinances, setback lines, or development agreements; the availability, cost, and coverage of title insurance; leases, rental agreements, occupancy agreements, rights of parties in possession of, using, or occupying such Property; and standby fees, taxes, bonds and assessments.

Section 7.3 RELEASE

THE BUYER HEREBY AGREES THAT EACH SELLER, AND EACH OF ITS PARTNERS, MEMBERS, TRUSTEES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, PROPERTY MANAGERS, ASSET MANAGERS, AGENTS, ATTORNEYS, AFFILIATES AND RELATED ENTITIES, HEIRS, SUCCESSORS, AND ASSIGNS (COLLECTIVELY, THE "RELEASEES") SHALL BE, AND ARE HEREBY, FULLY AND FOREVER RELEASED AND DISCHARGED FROM ANY AND ALL LIABILITIES, LOSSES, CLAIMS (INCLUDING THIRD PARTY CLAIMS), DEMANDS, DAMAGES (OF ANY NATURE WHATSOEVER), CAUSES OF ACTION, COSTS, PENALTIES, FINES, JUDGMENTS, REASONABLE ATTORNEYS' FEES, CONSULTANTS' FEES AND COSTS AND EXPERTS' FEES (COLLECTIVELY, THE "CLAIMS") WITH RESPECT TO ANY AND ALL CLAIMS, WHETHER DIRECT OR INDIRECT, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THAT MAY ARISE ON ACCOUNT OF OR IN ANY WAY BE CONNECTED WITH THE ASSETS OR THE PROPERTY OF SUCH SELLER, INCLUDING, WITHOUT LIMITATION, THE PHYSICAL, ENVIRONMENTAL AND STRUCTURAL CONDITION OF THE PROPERTY OF SUCH SELLER OR ANY LAW OR REGULATION APPLICABLE THERETO, INCLUDING, WITHOUT LIMITATION, ANY CLAIM OR MATTER (REGARDLESS OF WHEN IT FIRST APPEARED) RELATING TO OR ARISING FROM (A) THE PRESENCE OF ANY ENVIRONMENTAL PROBLEMS, OR THE USE, PRESENCE, STORAGE, RELEASE, DISCHARGE, OR MIGRATION OF HAZARDOUS MATERIALS ON, IN, UNDER OR AROUND SUCH PROPERTY, REGARDLESS OF WHEN SUCH HAZARDOUS MATERIALS WERE FIRST INTRODUCED IN, ON OR ABOUT SUCH PROPERTY, INCLUDING, WITHOUT LIMITATION ANY RIVER SITE CLAIMS, (B) ANY PATENT OR LATENT DEFECTS OR DEFICIENCIES WITH

RESPECT TO SUCH PROPERTY, (C) ANY AND ALL MATTERS RELATED TO SUCH PROPERTY OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, THE CONDITION AND/OR OPERATION OF SUCH PROPERTY AND EACH PART THEREOF, AND (D) THE PRESENCE, RELEASE AND/OR REMEDIATION OF ASBESTOS AND ASBESTOS CONTAINING MATERIALS IN, ON OR ABOUT SUCH PROPERTY REGARDLESS OF WHEN SUCH ASBESTOS AND ASBESTOS CONTAINING MATERIALS WERE FIRST INTRODUCED IN, ON OR ABOUT SUCH PROPERTY; PROVIDED, HOWEVER, THAT IN NO EVENT SHALL RELEASEES BE RELEASED FROM ANY CLAIMS ARISING PURSUANT TO THE PROVISIONS OF THIS AGREEMENT OR ANY SELLER'S OBLIGATIONS, IF ANY, UNDER THE CLOSING DOCUMENTS TO WHICH IT IS A PARTY. THE BUYER HEREBY WAIVES AND AGREES NOT TO COMMENCE ANY ACTION, LEGAL PROCEEDING, CAUSE OF ACTION OR SUITS IN LAW OR EQUITY, OF WHATEVER KIND OR NATURE, INCLUDING, BUT NOT LIMITED TO, A PRIVATE RIGHT OF ACTION UNDER THE FEDERAL SUPERFUND LAWS, 42 U.S.C. SECTIONS 9601 ET SEQ. AND CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 25300 ET SEQ. (AS SUCH LAWS AND STATUTES MAY BE AMENDED, SUPPLEMENTED OR REPLACED FROM TIME TO TIME), DIRECTLY OR INDIRECTLY, AGAINST THE RELEASEES OR THEIR AGENTS IN CONNECTION WITH THE CLAIMS DESCRIBED ABOVE AND EXPRESSLY WAIVES all rights and benefits it may now have or hereafter acquire under SECTION 1542 OF THE CALIFORNIA CIVIL CODE WHICH PROVIDES:

> **“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR”**

AND ALL SIMILAR PROVISIONS OR RULES OF LAW. IN THIS CONNECTION AND TO THE GREATEST EXTENT PERMITTED BY LAW, THE BUYER HEREBY AGREES, REPRESENTS AND WARRANTS THAT THE BUYER REALIZES AND ACKNOWLEDGES THAT FACTUAL MATTERS NOW KNOWN TO IT MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CAUSES OF ACTION, CLAIMS, DEMANDS, DEBTS, CONTROVERSIES, DAMAGES, COSTS, LOSSES AND EXPENSES WHICH ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND THE BUYER FURTHER AGREES, REPRESENTS AND WARRANTS THAT THE WAIVERS AND RELEASES HEREIN HAVE BEEN NEGOTIATED AND AGREED UPON IN LIGHT OF THAT REALIZATION AND THAT THE BUYER NEVERTHELESS HEREBY INTENDS TO RELEASE, DISCHARGE AND ACQUIT THE SELLERS FROM ANY SUCH UNKNOWN CLAIMS, DEBTS, AND CONTROVERSIES WHICH MIGHT IN ANY WAY BE INCLUDED AS A MATERIAL PORTION OF THE CONSIDERATION GIVEN TO THE SELLERS BY THE BUYER IN EXCHANGE FOR THE SELLERS' PERFORMANCE HEREUNDER. THE SELLERS HAVE GIVEN THE BUYER MATERIAL CONCESSIONS REGARDING THIS TRANSACTION IN EXCHANGE FOR THE BUYER AGREEING TO THE PROVISIONS OF THIS SECTION 7.3. THE SELLERS AND THE BUYER HAVE EACH INITIALED THIS SECTION 7.3 TO FURTHER INDICATE THEIR AWARENESS AND ACCEPTANCE OF EACH AND EVERY PROVISION HEREOF. THE PROVISIONS OF THIS SECTION 7.3 SHALL SURVIVE THE CLOSING AND SHALL NOT BE DEEMED MERGED INTO ANY INSTRUMENT OR CONVEYANCE DELIVERED AT THE CLOSING.

SELLERS' INITIALS: BUYER'S INITIALS:

_____ _____

Section 7.4 California Specific Provisions.

(a) Section 25359.7 of the California Health and Safety Code requires owners of nonresidential property who know or have reasonable cause to believe that a release of a Hazardous Material have come to be located on or beneath real property to provide written notice of that condition to a buyer of said real property. There is a possibility that a release of Hazardous Material may have come to be located on or beneath one or more Properties. By the Buyer's execution of this Agreement, the Buyer (i) acknowledges the Buyer's receipt of the foregoing notice given pursuant to Section 25359.7 of the California Health and Safety Code and that it is aware of the benefits conferred to the Buyer by Section 1542 of the California Civil Code and the risks it assumes by any waiver of the Buyer's benefits thereunder and (ii) as of the date hereof and as of the Closing and after receiving advice of the Buyer's legal counsel, waives any and all rights or remedies whatsoever, express, implied, statutory or by operation of law, the Buyer may have against any Seller, including remedies for actual damages under Section 25359.7 of the California Health and Safety Code, arising out of or resulting from any unknown, unforeseen or unanticipated presence or releases of hazardous substances or other hazardous materials from, on or about any Property. The foregoing shall not qualify any of the representations and warranties expressly set forth in this Agreement.

(b) The Buyer and the Sellers acknowledge that the Sellers are required to disclose if any Property in California lies within the following natural hazardous areas or zones: (i) a special flood hazard area (any type Zone “A” or “V”) designated by the Federal Emergency Management Agency (Cal. Gov. Code §8589.3); (ii) an area of potential flooding shown on a dam failure inundation map designated pursuant to Cal. Gov. Code § 8589.5 (Cal. Gov. Code §8589.4); (iii) a very high fire hazard severity zone designated pursuant to Cal. Gov. Code § 51178 or 51179 (in which event the owner maintenance obligations of Cal. Gov. Code § 51182 would apply) (Cal. Gov. Code §51183.5); (iv) a wildland area that may contain substantial forest fire risks and hazards designated pursuant to Cal. Pub. Resources Code § 4125 (in which event (A) the property owner would be subject to maintenance requirements of Cal. Pub. Resources Code § 4291 and (B) it would not be the State's responsibility to provide fire protection services to any building or structure located within the wildland area except, if applicable, pursuant to Cal. Pub. Resources Code § 4129 or pursuant to a cooperative agreement with a local agency for those purposes pursuant to Cal. Pub. Resources Code §4142) (Cal. Pub. Resources Code § 4136); (u) an earthquake fault zone (Cal. Pub. Resources Code § 2621.9); or (v) a seismic hazard zone (and, if applicable, whether a landslide zone or liquefaction zone) (Cal. Pub. Resources Code § 2694). The Buyer and the Sellers further acknowledge that (x) they have employed the services of a natural hazard expert (which, in such capacity is herein called “Natural Hazard Expert”) to examine the maps and other information specifically made available to public by government agencies for the purpose of enabling each of the Sellers to fulfill its disclosure obligations with respect to the natural hazards referred to the above-referenced statutory provisions, and (y) the Natural Hazard Expert has provided a report in writing to the Sellers and the Buyer showing the results of its examination (the receipt of which is hereby acknowledged by the Sellers and the Buyer). As contemplated in the above-referenced statutory provisions, if an earthquake fault zone, seismic hazard zone, very high fire hazard severity zone or wildland fire area map or accompanying information is not of sufficient accuracy of scale for the Natural Hazard Expert to determine if a Property in California is within the respective natural hazard zone, then for purposes of the disclosure such Property shall be considered to lie within

such natural hazard zone. The Buyer acknowledges and agrees that the written report prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges the Sellers for errors or omission not within in its personal knowledge shall be deemed to apply and the Natural Hazard Expert shall be deemed to be an expert, dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above. In no event shall any Seller have any responsibility for matters not actually known to such Seller. THESE HAZARDS MAY LIMIT THE BUYER'S ABILITY TO DEVELOP A PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. BUYER MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT ANY OF THE PROPERTIES.

(c) The provisions of this Section 7.4 shall survive the Closing.

ARTICLE VIII

TITLE AND PERMITTED EXCEPTIONS

Section 8.1 Permitted Exceptions

Each Property shall be sold and is to be conveyed, and the Buyer agrees to purchase each Property, subject only to the Permitted Exceptions with respect to such Property.

Section 8.2 Title Pro Formas; Surveys

The Buyer has received and reviewed a copy of each Title Pro Forma and Survey. Except as expressly set forth in subsection 8.3(a), all title exceptions and matters set forth in the Title Pro Formas and on the Surveys shall be deemed Permitted Exceptions and are hereby approved by the Buyer.

Section 8.3 Certain Exceptions to Title; Inability to Convey

(a) In the event the relevant Seller is unable to convey title to any Property subject only to the Permitted Exceptions, and the Buyer has not, prior to the Closing Date, given notice to the Sellers that the Buyer is willing to waive objection to each title exception which is not a Permitted Exception, the Buyer may elect, as its sole and exclusive remedy therefore, to either (x) terminate this Agreement by giving written notice to the Sellers and Escrow Agent, in which event the Earnest Money shall be returned to the Buyer and, thereafter, the parties shall have no further rights or obligations hereunder except for those obligations which expressly survive the termination of this Agreement, or (y) waive such title objections, in which event such title objections shall be deemed additional “Permitted Exceptions” and the Closing shall occur as herein provided without any reduction of or credit against the Purchase Price. The Sellers may elect (but shall not be obligated, except as otherwise provided in this Agreement) to remove or cause to be removed, or insured over, at its expense any title matters which are not Permitted Exceptions, and shall be entitled to a reasonable adjournment of the Closing (not to exceed thirty (30) days) for the purpose of such removal, which removal will be deemed effected by the issuance of title insurance eliminating or insuring against the effect of such title matter in a manner reasonably acceptable to the Buyer. Notwithstanding anything in this Agreement to the contrary, the Sellers shall be obligated at Closing to cause the release of (i) the lien of any mortgage or deed of trust or any other related documents (including, without limitation, assignments of leases and rents, UCC fixture filings) which secures the Existing Financing (the “Existing Financing Liens”) and the lien of any other mortgage or deed of trust which is placed by the Sellers upon any Property after

the Effective Date, (ii) any Voluntary Encumbrance created by a Seller on or after the Effective Date other than those covered in the immediately preceding clause (i) (each, a "Post-Effective Date Voluntary Encumbrance") and (iii) in addition to those items covered in clauses (i) and (ii), but subject to the limitations set forth in subsection 8.3(d), any lien encumbering any Property after the Effective Date that is not a Permitted Exception and may be removed by the payment of a sum of money (each such lien other than those covered in clauses (i) and (ii), a "Post-Effective Date Monetary Encumbrance"), provided, if a Post-Effective Date Voluntary Encumbrance or Post-Effective Date Monetary Encumbrance is bonded over by the Sellers or others at the Closing such that it is omitted from the Title Policy (or is otherwise insured over by the Title Company in a manner reasonably acceptable to the Buyer) then the Sellers shall be deemed to have satisfied the provisions of this sentence and caused the release of such Post-Effective Date Voluntary Encumbrance or Post-Effective Date Monetary Encumbrance. The parties acknowledge and agree that the Sellers shall have the right to apply or cause Escrow Agent to apply all or any portion of the Cash Consideration to cause the release of any Existing Financing Liens, Post-Effective Date Voluntary Encumbrance or Post-Effective Date Monetary Encumbrance.

(b) Except as expressly set forth in subsection 8.3(a), nothing contained in this Agreement shall be deemed to require the Sellers to take or bring any action or proceeding or any other steps to remove any title exception or to expend any moneys therefor, nor shall the Buyer have any right of action against any Seller, at law or in equity, for such Seller's inability to convey title to the Properties subject only to the Permitted Exceptions.

(c) The Buyer agrees to purchase each Property subject to any and all Violations, or any condition or state of repair or disrepair or other matter or thing, whether or not noted, which, if noted, would result in a Violation being placed on such Property. The Sellers shall have no duty to remove or comply with or repair any condition, matter or thing whether or not noted, which, if noted, would result in a Violation being placed on such Property. The Sellers shall have no duty to remove or comply with or repair any of the aforementioned Violations, or other conditions, and the Buyer shall accept each Property subject to all such Violations, the existence of any conditions at such Property which would give rise to such Violations, if any, and any governmental claims arising from the existence of such Violations, in each case without any abatement of or credit against the Purchase Price. Notwithstanding the foregoing, subject to subsection 8.3(d), the Sellers shall be obligated at Closing to pay (or to give the Buyer a credit against the Purchase Price for) any fines imposed on any Property or the Sellers as a result of Violations after the Effective Date (the "Post-Effective Date Fines").

(d) Notwithstanding anything in this Agreement to the contrary, the Seller shall not be obligated to spend more than $2,000,000 in the aggregate to remove any Post-Effective Date Monetary Encumbrance or Post-Effective Date Fines. The foregoing shall not diminish the rights of Buyer to terminate this Agreement and receive back the Earnest Money should Sellers be unwilling or unable (in each case, as determined by the Sellers in their sole discretion) to cure any such Post-Effective Date Monetary Encumbrance or Post-Effective Date Fines, the cost of which would exceed $2,000,000.

Section 8.4 Title Policy

At Closing, the Buyer may arrange for the Title Company to issue, or irrevocably commit to issue, to the Buyer, an extended coverage ALTA owner's form title policy (each, a "Title Policy") with respect to each Property, which shall be in the form of the Title Pro Forma, in the amount of the Allocated Purchase Price with respect to such Property, and insure that fee simple title to each Property is vested in the Buyer subject only to the Permitted Exceptions. In such case, the Buyer shall be entitled to request that the Title Company provide such endorsements (or amendments) to any Title Policy as the Buyer may reasonably require, provided that (a) such endorsements (or amendments) shall be at no cost to, and shall impose no additional liability on, any Seller, (b) the Buyer's obligations under this Agreement shall not be conditioned upon the Buyer's ability to obtain such endorsements and, if the Buyer is unable to obtain

such endorsements, the Buyer shall nevertheless be obligated to proceed to close the transactions contemplated by this Agreement without reduction of or set off against the Purchase Price, and (c) the Closing shall not be delayed as a result of the Buyer's request. The parties hereto agree that, notwithstanding anything in this Agreement to the contrary, the aggregate title premiums payable for the issuance of the Title Policies shall be paid 60% to the Title Company and 40% to the Other Title Companies.

Section 8.5 Cooperation.

The Buyer and the Sellers shall cooperate with the Title Company in connection with obtaining title insurance insuring title to each Property subject only to the Permitted Exceptions. In furtherance and not in limitation of the foregoing, at or prior to the Closing, the Buyer and the Sellers shall deliver to the Title Company such affidavits, certificates and other instruments as are reasonably requested by the Title Company and customarily furnished in connection with the issuance of owner's policies of title insurance, including, without limitation, (i) evidence sufficient to establish (x) the legal existence of the Buyer and the Sellers and (y) the authority of the respective signatories of the Sellers and the Buyer to bind the Sellers and the Buyer, as the case may be, (ii) a certificate of good standing of each Seller issued by the State of Delaware and (c) an affidavit of each Seller in the form attached hereto as Exhibit L (each, a "Title Affidavit").

ARTICLE IX

TRANSACTION COSTS; RISK OF LOSS

Section 9.1 Transaction Costs

The Buyer and the Sellers agree to comply with all real estate transfer tax laws applicable to the sale of the Assets. At Closing, the real property transfer taxes, deed stamps, conveyance taxes, documentary stamp taxes and other taxes or charges payable as a result of the conveyance of the Assets to the Buyer pursuant to this Agreement shall be allocated between the Sellers and the Buyer in accordance with Schedule 9.1 hereto. In addition to the foregoing and their respective apportionment obligations hereunder, (a) the Sellers and the Buyer shall each be responsible for (i) the payment of the costs of their respective legal counsel, advisors and other professionals employed thereby in connection with the sale of the Assets and (ii) one-half of the fees and expenses of the Escrow Agent, (b) the Sellers shall be responsible for payment of (i) the title premium for a CLTA standard coverage Title Policy for the Westin San Diego Property, (ii) all costs, fees, expenses and other amounts payable in connection with the repayment of the Sellers' Existing Financing, (iii) any PIP-related costs payable by the Sellers pursuant to Section 14.1(b) of this Agreement and (iv) any Deloitte Fees in excess of the Buyer Deloitte Fee Cap, and (c) the Buyer shall be responsible for (i) all other costs and expenses associated with obtaining the Title Pro Formas and Title Policies, including the cost of obtaining ALTA or extended coverage, co-insurance, reinsurance or endorsements with respect to the Title Policy for the Westin San Diego Property, (ii) all recording fees required in connection with the transfer of the Properties to the Buyer, (iii) all costs and expenses associated with the Buyer's due diligence, (iv) all costs and expenses incurred in connection with the preparation and/or obtaining of the Seller Financials, including any amounts payable to Deloitte & Touche LLP (the "Deloitte Fees"), except that the Buyer shall not be liable for the payment of Deloitte Fees in excess of $500,000 (the "Buyer Deloitte Fee Cap"), (v) all Survey costs, (vi) any mortgage recording fees, documentary stamp taxes, intangible taxes and other costs associated with any the Buyer financing, (vii) the premiums in respect of any lender policies of title insurance obtained by the Buyer and (viii) the costs and expenses payable by the Buyer pursuant to Section 14.1(b). The Buyer shall reimburse

the Seller for the aggregate cost of the PZR reports obtained by the Seller with respect to the Properties in a total amount equal to $2,816. Any other closing costs not specifically allocated by this Agreement shall be allocated in accordance with closing customs for similar properties located in the same metropolitan area as the applicable Property. Each party to this Agreement shall indemnify the other parties and their respective successors and assigns from and against any and all loss, damage, cost, charge, liability or expense (including court costs and reasonable attorneys' fees) which such other party may sustain or incur as a result of the failure of either party to timely pay any of the aforementioned taxes, fees or other charges for which it has assumed responsibility under this Section 9.1.

Section 9.2 Risk of Loss

(a) If, on or before the Closing Date, any Property or any "material portion" thereof shall be (i) damaged or destroyed by fire or other casualty or (ii) taken as a result of any condemnation or eminent domain proceeding, the Sellers shall promptly notify the Buyer, and the Buyer may either at or prior to the Closing, in its sole discretion:

(i) terminate this Agreement as to all of the Properties (but not less than all of the Properties), in which event the Earnest Money shall be returned to the Buyer, this Agreement shall be deemed terminated and neither party shall have any further rights or obligations to the other, except for those expressly stated to survive the termination of this Agreement; or

(ii) consummate the Closing as to all Properties, in which event the Sellers will credit against the Purchase Price payable by the Buyer at the Closing an amount equal to the sum of (x) the net proceeds, if any, received by the Sellers from such casualty or condemnation and (y) the applicable deductible, if any, with respect to such casualty. If as of the Closing Date, the Sellers have not received any such insurance or condemnation proceeds, then the parties shall nevertheless consummate on the Closing Date the conveyance of the Assets (without any deduction for such insurance or condemnation proceeds other than a deduction for the amount of the applicable deductible under the applicable Seller's insurance policy) and the Sellers will at Closing assign to the Buyer all rights of the Sellers, if any, to the insurance or condemnation proceeds and to all other rights or claims arising out of or in connection with such casualty or condemnation.

(b) For purposes of this Section 9.2, a "material portion" with respect to all of the Properties shall mean damage to one or more Properties or any portion thereof by fire or other casualty or the taking of one or more Properties or any portion thereof as a result of a condemnation or eminent domain proceeding which in the aggregate results in the cost of repair or impairment of use or value of the Properties, in an amount in excess of $15,000,000.

ARTICLE X

ADJUSTMENTS

Unless otherwise provided below, the following are to be adjusted and prorated between the Sellers and the Buyer as of 11:59 P.M. on the day preceding the Closing (the "Cut-Off Time"), based upon a 365 day year, and the net amount thereof under Section 10.1 shall be added to (if such net amount is in the Sellers' favor) or deducted from (if such net amount is in the Buyer's favor) the Purchase Price payable at Closing:

Section 10.1 Fixed Rents and Additional Rents

(a) Fixed rents ("Fixed Rents"; Fixed Rents together with Additional Rent, collectively referred to herein as "Rents") and Additional Rent paid or payable by the Tenants in connection with their

occupancy of the Properties shall be prorated as of the Closing. The Sellers shall deliver or provide a credit in an amount equal to all prepaid rents for periods after the Closing Date and all unapplied security deposits (other than letters of credit and guarantees). Rents (including operating expense, tax and insurance charges payable by Tenants) which are delinquent as of the Closing Date and apply solely to periods prior to the Closing Date shall not be prorated on the Closing Date and all rights thereto shall be retained by the Sellers, who reserve the right (subject to this subsection 10.1(a) and subject to the limitation that the Sellers shall not have the right to bring or maintain any action to either dispossess any Tenant that is in possession or terminate any of the Space Leases) to collect and retain such delinquent Rents. The Buyer agrees to use reasonable efforts to cooperate (at no cost or expense or additional liability to the Buyer) with the Sellers in their efforts to collect such Rents (but not including joining in any legal action instituted by the Sellers or spending any money or incurring any expenses in order to do so). To the extent the Sellers or the Buyer receive payments on or after the Closing Date from a Tenant that was delinquent at the Closing, such payments shall be applied (after reimbursement of reasonable and actual third party costs of collection) as follows: (1) first, to any amounts due from such Tenant for the calendar month in which the Closing occurs (the "Closing Month"); (2) second, on account of any amount due the Buyer from such tenant for obligations accruing after the Closing Date, including interest, penalties and late charges, if any; (3) third, on account of any amount due the Sellers from such Tenant for obligations accruing prior to the Closing Date, including interest, penalties and late charges, if any, and (4) fourth, any balance remaining to the Buyer. Each of the Sellers and the Buyer shall remit to the other party hereto any such Rent such other party is owed within five (5) Business Days after its receipt. For the purposes of this provision, the term "Additional Rent" shall mean amounts payable under any Space Lease other than Fixed Rents, including for (i) the payment of additional rent based upon a percentage of the tenant's business during a specified annual or other period (sometimes referred to as "percentage rent"), (ii) so-called common area maintenance or "CAM" charges, and (iii) so called "escalation rent" or additional rent based upon such tenant's allocable share of insurance, real estate taxes or operating expenses or labor costs or cost of living or porter's wages or otherwise. The Buyer shall receive a credit for the actual amount of any security deposits provided for under the Space Leases which are being held by the Sellers and the benefit of interest earned on any such security deposits to the extent that the Buyer shall have the obligation to pay such interest to the applicable Tenants when returned.

(b) To the extent that any portion of Additional Rent is required to be paid monthly by Tenants on account of estimated amounts for any calendar year (or, if applicable, any lease year or any other applicable accounting period), and at the end of such calendar year (or lease year, tax year or other applicable accounting period, as the case may be), such estimated amounts are to be recalculated based upon the actual expenses and other relevant factors for that calendar (or lease) year or other applicable accounting period, with the appropriate adjustments being made with such Tenants, then such portion of the Additional Rent shall be prorated between the Sellers and the Buyer at the Closing based on such estimated payments actually paid by tenants (i.e., with the Sellers entitled to retain all monthly or other periodic installments of such amounts paid by Tenants which relate to periods owned by such Seller, the Sellers to pay to the Buyer at the Closing all monthly or other periodic installments of such amounts theretofore received by the Sellers which relate to periods following the Closing). At the time(s) of final calculation and collection from (or refund to) each Tenant of the amounts in reconciliation of actual Additional Rent for a period for which estimated amounts paid by such Tenant have been prorated, there shall be a re proration between the Sellers and the Buyer based on the period of time each party owned the relevant Assets.

Section 10.2 Section Taxes and Assessments

Real estate (ad valorem) and personal property taxes and assessments assessed shall be adjusted and prorated based on (a) the periods of ownership by the Sellers and the Buyer and (b) the most current official real property tax information available from the county assessor's office where the

Property is located or other assessing authorities (calculated using the maximum discount allowed by law). If real property tax and assessment figures for the taxes or assessments to be apportioned between the Buyer and the Sellers pursuant to this Section 10.2 are not available, real property taxes shall be prorated based on the most recent assessment, subject to further and final adjustment when the tax rate and/or assessed valuation for such taxes and assessments for the Property is fixed. In the event that the Property or any part thereof shall be or shall have been affected by an assessment or assessments, whether or not the same become payable in annual installments, the Sellers shall, at the Closing, be responsible for any installments due prior to the Closing and the Buyer shall be responsible for any installments due on or after the Closing.

Section 10. 3 Utilities

With respect to electricity, telephone, television, gas, fuel, water and sewer services which are metered, trash removal and other utilities, the Sellers shall use reasonable efforts to have the respective companies providing such utilities read the meters on or immediately prior to the Cut-Off Time. The Sellers shall be responsible for all charges based on such final meter readings and the Buyer shall be responsible for all charges thereafter. To the extent such meters are not read at any Property and final bills rendered as of the Cut-Off Time, such charges with respect to such Property shall be prorated effective as of the Cut-Off Time utilizing an estimate of such charges reasonably approved by both the Buyer and the Sellers based on prior utility bills, and any deposits or credits with respect to the foregoing services will be credited to Seller. Upon the taking of a subsequent actual reading, such apportionment shall be adjusted to reflect the actual rate for the billing period in which the Closing Date occurs, and the Sellers, or the Buyer, as the case may be, shall promptly deliver to the other the amount determined to be due upon such adjustment.

Section 10. 4 Contracts

. Charges and payments (including the reimbursement of expenses) that are prepaid, accrued or due and payable under any Assumed Contracts shall be adjusted and prorated as of the Cut-Off Time between the Buyer and the Sellers.

Section 10. 5 Miscellaneous Revenues

. Revenues, if any, arising out of telephone booths, vending machines, parking, or other income producing agreements.

Section 10. 6 Cash

. Seller shall receive a credit for the cash held in the house banks at each Property and any petty cash at the Properties; such cash shall remain on site and be available to the Buyer post-Closing.

Section 10. 7 Leasing Costs

. The Sellers shall be responsible for all Leasing Costs relating to Space Leases or renewals, amendments, expansions and extensions of Space Leases, entered into or which first become binding, prior to the date of this Agreement (the "Sellers' Leasing Costs"). The Buyer shall be responsible for all Leasing Costs other than the Sellers' Leasing Costs (the "Buyer's Leasing Costs"), and shall assume the economic effect of any "free rent" or other concessions pertaining to the period from and after the Closing Date and expressly disclosed in the Space Leases. Notwithstanding anything in this Section 10.7 to the contrary, the Buyer shall be responsible for all Leasing Costs relating to renewals, amendments, expansions and extensions of Space Leases, in each case to the extent such Leasing Costs relate to renewal, expansion or extension rights of tenants under such Space Leases that are first exercised or amendments that are first entered into, after the date of this Agreement. To the extent any Sellers' Leasing Costs have not been fully paid as of the Closing Date, the Buyer shall receive a credit at the Closing against the Purchase Price in the amount of the balance of the Sellers' Leasing Costs remaining to be paid

and the Buyer shall assume all obligations of the Seller to pay the balance of the Sellers' Leasing Costs as to which the Buyer shall have received such credit and to perform the obligations associated with the same. The obligations of the Buyer under this Section 10.7 shall survive the Closing.

Section 10. 8 Accounts Receivable

(a) Guest Ledger. All revenues received or to be received from transient guests on account of room rents, facilities occupied and the use of the premises (including without limitation parking areas, mini-bar sales, phone and other communication charges and the like) for the period prior to but excluding the Cut-Off Time shall belong to the Sellers. At Closing, the Sellers shall receive a credit in an amount equal to: (a) all amounts charged to the Guest Ledger for all room nights up to (but not including) the night during which the Cut-Off Time occurs, and (b) for the night during which the Cut-Off Time occurs, one half (½) of such 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 such night, including credit card and travel agent commissions (the remaining ½ of such night's revenue shall accrue to the Buyer's benefit). For the period beginning on the day immediately following the Cut-Off Time, such revenues collected from the Guest Ledger shall belong to the Buyer and the Buyer shall be entitled to retain all deposits made and amounts collected with respect to such Guest Ledger. For the period beginning on the day immediately following the Cut-Off Time, revenues collected from the Guest Ledger shall belong to the Buyer. In the event that an amount less than the total amount due from a guest is collected and such guest continued in occupancy after the Cut-Off Time, such amount shall be applied first to any amount owing by such Person to the Sellers and thereafter to such Person's amounts accruing to the Buyer. The provisions of this subsection 10.8(a) will survive the Closing for 180 days.

(b) Accounts Receivable (Other than Guest Ledger).

(i) At the Closing, the Sellers shall assign to the Buyer all Accounts Receivable (other than in respect of the Guest Ledger which is addressed in subsection 10.8(a) above) (the "Assigned Accounts Receivable"), the Buyer shall pay to the Sellers an amount equal to 95% of all Assigned Accounts Receivable that are 60 days or less past due as of the Closing Date; 80% of all Assigned Accounts Receivable that are 61-90 days past due as of the Closing Date; and 50% of all Assigned Accounts Receivable that are 91-120 days past due as of the Closing Date. The Sellers shall not receive a credit for any Assigned Accounts Receivable that are more than 120 days past due as of the Closing Date.

(ii) The Accounts Receivable addressed in this subsection 10.8(b) shall not include the Guest Ledger, which is addressed in subsection 10.8(a). The parties' obligations under this Section 10.8 shall survive the Closing for a period of 180 days.

Section 10. 9 Consumables

There shall be no adjustment to the Purchase Price for Consumables located at the Properties.

Section 10. 10 Accounts Payable and Accrued Liabilities; Prepaids

(a) The Sellers shall be responsible for all Accounts Payable including, without limitation, sums payable under any Management Agreement or Franchise Agreement (including incentive fees) and accrued liabilities to the extent attributable to the period preceding the Cut-Off Time. From and after the Closing Date, the Buyer shall be responsible for paying when due all other Accounts Payable arising out of the operation of the Properties from and after the Cut-Off Time.

(b) The Buyer shall be charged with any prepaid Accounts Payable to the extent those Accounts Payable are attributable to the period after the Cut-Off Time; provided, however, the Buyer shall not be so charged for, and Seller shall not receive any compensation for, any prepaid advertising that has already been aired, mailed or otherwise disseminated.

Section 10. 11 Bookings; Booking Deposits

At the Closing, the Buyer shall assume all of the obligations of the Sellers under the Bookings as of the Cut-Off Time, including obligations with respect to any prepaid amounts and deposits under the Booking Deposits not earned as of the Cut-Off Time, and the Buyer shall receive a credit against the Purchase Price at the Closing in an amount equal to all such amounts (and, therefore, Seller shall have the right to retain any amounts relating to such items on deposit in the Seller's accounts). All prepaid amounts under the Booking Deposits for which the Buyer has received credit as of the Cut-Off Time shall be the obligation of the Buyer after the Closing.

Section 10. 12 Room and Occupancy Taxes

The Sellers shall pay all sales taxes, and room occupancy, hotel, resort, and use taxes due and payable with respect to the Properties for the period prior to the Cut-Off Time, and the Buyer shall pay all room occupancy, hotel, resort, and use taxes due and payable with respect to the Properties for the periods on and after the Cut-Off Time. The Sellers, on the one hand, and the Buyer, on the other hand, shall each pay fifty percent (50%) of all room occupancy and use taxes due and payable with respect to the Properties for the night commencing prior to and ending on the day on which the Cut-Off Time occurs.

Section 10. 13 2012 Capital Projects

The Buyer shall receive a credit against the Purchase Price in an aggregate amount not to exceed $3,516,726 with respect to the capital improvement projects shown on Schedule 10.13 hereto, as such amount shall be reduced by amounts spent by the Sellers between the date hereof and the Closing Date, solely to the extent such expenditures are consistent with the budgets attached as Schedule 10.13. The Sellers shall provide the Buyer with invoices or other evidence reasonably acceptable to the Buyer of such expenditures.

Section 10. 14 Supplemental Leases

All rent and other payments and charges due under any Assumed Supplemental Leases with respect to the year in which the Closing occurs shall be adjusted and prorated based on the periods of ownership by the applicable Seller and the Buyer during such year.

Section 10. 15 Retail Merchandise and Gift Cards

. There shall be no adjustment to the Purchase Price at Closing for Retail Merchandise at the Properties. The Buyer shall receive a credit for 50% of the face value of all gift certificates issued by any Seller or Manager with respect to any Property between July 9, 2009, and July 9, 2012, which remain outstanding and unredeemed as of the Cut-Off Time (each, a “Recognized Gift Certificate”). If any such Recognized Gift Certificates for rooms at any Property do not have a face value, then Buyer shall receive a credit for 50% of the estimated value of such gift certificate, calculated by using the average daily rate for similar rooms at such Property for the corresponding period (assuming the gift certificate is for a certain number of free room nights).

Section 10. 16 Other Adjustments

If applicable, the Purchase Price shall be adjusted at the Closing to reflect the adjustment of any other item which, under the explicit terms of this Agreement, is to be apportioned at Closing.

Section 10. 17 Benefit Plans; Employees

The Buyer shall receive a credit against the Purchase Price for liabilities to or in respect of Employees having accrued prior to the Cut-Off Time, including, without limitation, all Employees' wages, salaries, bonuses, fringe benefits, pension, health and disability benefits, benefits under Union Benefit Plans, any contributions required to be made to any Union Benefit Plan, any obligations to pay for or provide continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as from time to time amended, in respect of Employees who experience a "qualifying event" prior to the Closing Date, and other compensation payable to Employees, together with F.I.C.A., unemployment and other similar payroll taxes and benefits due from the applicable Manager of such Employees. The Buyer shall be responsible for all liabilities that accrue after the Cut-Off Time to or in respect of Transferred Employees. Notwithstanding the foregoing, Seller will remain responsible for all costs and expenses of accrued and earned and unpaid vacation, holiday and sick time for all Employees, including payroll taxes and any other amounts due in connection therewith ("Benefits Credit"). Prior to the Closing Date, to the extent required by Applicable Law, the Sellers may cause the applicable Manager to pay each Employee an amount equal to such employee's Benefits Credit as of the Closing Date. Except as expressly provided herein, the Sellers and the Manager shall be and remain solely responsible for payment of any other employee benefits accrued in connection with Employees, including former Employees for which the Buyer has not received a credit under the Benefits Credit or for which the Buyer is not otherwise responsible under this Agreement with respect to any period prior to the Closing Date and the Seller shall indemnify, defend and hold the Buyer harmless therefrom. The covenants and agreements contained in this Section 10.17 are not intended and shall not confer any benefit or right on any person or entity other than the parties to this Agreement. The provisions of this Section 10.17 will survive the Closing and will not be deemed merged into any instrument of conveyance delivered at the Closing.

Section 10. 18 Club Membership Dues.

All Club Membership Dues, if any, for the month in which the Closing occurs shall be prorated as of the Cut-Off Time between the Buyer and the Sellers, but only to the extent of any such dues are actually paid in cash and received by the Sellers prior to the Cut-Off Time. To the extent the Sellers receive any Membership Dues for any month following the month in which the Closing occurs, the Sellers shall deliver or credit to the Buyer the full amount of such Membership Dues. The Buyer shall not receive a credit for any initiation fees, other than Club Initiation Fees that (i) have actually been paid in cash and received by the Sellers after the date hereof for the month in which the Closing occurs, (ii) are to be applied towards refunds due in connection with the termination and transfer of memberships in accordance with the terms of the applicable Club membership documents, and (iii) have not been so applied. Except as provided in the immediately preceding sentence, the Buyer shall not receive any credit to the Purchase Price relating to or in connection with any membership fees paid by prospective members of any Club or liabilities or payments to any members of a Club.

Section 10. 19 National Service Contracts

Any payments and charges due under National Service Contracts which relate to the Properties shall be prorated between the Sellers and the Buyer as of the Cut-Off Time.

Section 10. 20 Re-Adjustment; Credits Against the Purchase Price

(a) If any items to be adjusted pursuant to this Article X are not determinable at the Closing, the adjustment shall be made subsequent to the Closing when the charge is determined. Any errors or omissions in computing adjustments or readjustments at the Closing or thereafter shall be promptly corrected, and any corrective payments shall be promptly made, provided that the party seeking to correct such error or omission or to make such readjustment shall have notified the other party of such error or omission or readjustment on or prior to the date that is one year following the

Closing. The provisions of this Article X and the obligations of the Sellers and the Buyer hereunder shall survive the Closing for 180 days.

(b) Any adjustments to be made to the Purchase Price at Closing pursuant to this Agreement, including pursuant to this Article X, Section 8.3 and/or Section 9.3 shall be adjusted against the Cash Consideration, provided, if the aggregate net adjustments and credits against the Purchase Price at Closing would result in the Sellers not receiving sufficient Cash Consideration for the Sellers to (a) pay any closing and other transaction costs payable by the Sellers under this Agreement and the other Closing Documents to which it is a party and (b) satisfy their obligations under, and obtain the release of, the Existing Financing (the amount of the deficiency in the amount of Cash Consideration, the "Deficiency Amount"), then a portion of such adjustments in an aggregate amount equal to the Deficiency Amount would instead be applied against the Share Consideration at Closing.

ARTICLE XI

INDEMNIFICATION

Section 11.1 Indemnification by the Sellers

Following the Closing and subject to Sections 11.3, 11.4 and 11.5, the Sellers shall indemnify and hold the Buyer and its affiliates and its officers, directors, employees, representatives and agents (collectively, "Buyer-Related Entities") harmless from and against any and all costs, fees, expenses, damages, deficiencies, interest and penalties (including, without limitation, reasonable attorneys' fees and disbursements) suffered or incurred by any such indemnified party in connection with any and all losses, liabilities, claims, damages and expenses ("Losses"), arising out of or resulting from (a) any breach of any representation or warranty of such Seller contained in this Agreement or in any Closing Document and (b) any breach of any covenant of such Seller contained in this Agreement or in any Closing Document which survives the Closing.

Section 11.2 Indemnification by the Buyer

From and after the Closing and subject to Sections 11.3, 11.4 and 11.5, the Buyer shall indemnify and hold the Sellers, their respective affiliates, members and partners, and the members, partners, officers, directors, employees, representatives and agents of each of the foregoing (collectively, "Seller-Related Entities") harmless from any and all Losses arising out of or resulting from (a) any breach of any representation or warranty by the Buyer contained in this Agreement or in any Closing Document and (b) any breach of any covenant of the Buyer contained in this Agreement or in any Closing Document, which survives the Closing.

Section 11.3 Limitations on Indemnification

a. The Sellers shall not be required to indemnify the Buyer or any Buyer-Related Entities under Section 11.1, unless the aggregate of all amounts for which an indemnity would otherwise be payable by the Sellers under Section 11.1 exceeds the Basket Limitation, and once it does (if it does), the full amount covered by this indemnification shall be recoverable up to the amount of the Cap Limitation. In no event shall the liability of the Sellers with respect to the indemnification provided for in Section 11.1 exceed in the aggregate the Cap Limitation; provided that the Basket Limitation and Cap Limitation shall not apply to the Sellers' obligations under Article X or Sections 14.6 or 15.2. If, prior to the Closing, to the Buyer's Knowledge, the Buyer is aware of any inaccuracy or breach of any representation, warranty or pre-closing covenant of the Sellers contained in this Agreement (a "Buyer-Waived Breach") and nonetheless proceeds with and consummates the Closing, then the Buyer and any Buyer-Related Entities shall be deemed to have waived and forever renounced

any right to assert a claim for indemnification under this Article XI for, or any other claim or cause of action under this Agreement, whether at law or in equity, on account of any such the Buyer-Waived Breach.

b. The Buyer shall not be required to indemnify the Sellers or any Seller-Related Entities under Section 11.2, unless the aggregate of all amounts for which an indemnity would otherwise be payable by the Buyer under Section 11.2 exceeds the Basket Limitation, and once it does (if it does), the full amount covered by this indemnification shall be recoverable up to the amount of the Cap Limitation. In no event shall the liability of the Buyer with respect to the indemnification provided for in Section 11.2 exceed in the aggregate the Cap Limitation; provided that the Basket Limitation and Cap Limitation shall not apply to the Buyer's obligations under Article X or Sections 3.4(k), 7.1, 14.1, 14.3, 14.4, 14.6(a) or 15.2, or to any breach of any representation or warranty of the Buyer contained in Section 4.1(b)(ii) or Section 4.1(f) of this Agreement (the "Buyer Fundamental Representations"). If, prior to the Closing, to the Seller's Knowledge, the Seller is aware of any inaccuracy or breach of any representation, warranty or pre-closing covenant of the Buyer contained in this Agreement (a "Seller-Waived Breach") and nonetheless proceeds with and consummates the Closing, then the Sellers and any Seller-Related Entities shall be deemed to have waived and forever renounced any right to assert a claim for indemnification under this Article XI for, or any other claim or cause of action under this Agreement, whether at law or in equity, on account of any such Seller-Waived Breach.

Section 11.4 Survival

a. Notwithstanding anything in this Agreement to the contrary, the representations and warranties of the Sellers set forth in or made pursuant to this Agreement, shall survive the Closing Date for a period of 9 months and shall not be deemed merged into any instrument of conveyance delivered at the Closing. No action or proceeding thereon shall be valid or enforceable, at law or in equity, if a written notice of an alleged breach of a representation or warranty is not delivered on or before the end of the survival period described in this paragraph.

b. Notwithstanding anything in this Agreement to the contrary, the representations and warranties of the Buyer set forth in or made pursuant to this Agreement, shall survive the Closing Date for a period of 9 months and shall not be deemed merged into any instrument of conveyance delivered at the Closing; provided, that the Buyer Fundamental Representations shall survive the Closing Date for the duration of any applicable statute of limitations. No action or proceeding thereon shall be valid or enforceable at law or in equity if a written notice of an alleged breach of a representation or warranty is not delivered on or before the end of the survival period described in this paragraph.

Section 11.5 Indemnification as Sole Remedy

If the Closing has occurred, the sole and exclusive remedy available to a party in the event of a breach by the other party to this Agreement or any representation, warranty, covenant or other provision of this Agreement or any Closing Document (other than the Registration Rights Agreement) which survives the Closing shall be the indemnifications provided for under this Article XI. Neither party shall have any liability to the other party for consequential, indirect, exemplary or punitive damages resulting from any breach of any representation or warranty.

ARTICLE XII

TAX CERTIORARI PROCEEDINGS

Section 12.1 Prosecution and Settlement of Proceedings

If any tax reduction proceedings (including, but not limited to, administrative and/or judicial proceedings or appeals) in respect of any Property, relating to any fiscal years ending prior to the fiscal year in which the Closing occurs, are pending at the time of the Closing, the relevant Seller reserves and shall have the right to continue to prosecute and/or settle the same so long as no such settlement shall have any material adverse impact on the taxes that shall be charged in respect of the Properties with respect to the post-Closing period. If any tax reduction proceedings in respect of any Property, relating to the fiscal year in which the Closing occurs, are pending at the time of Closing, then the relevant Seller reserves and shall have the right to continue to prosecute and/or settle the same; provided, however, that such Seller shall not settle any such proceeding without the Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed. The Buyer shall reasonably cooperate with such Seller in connection with the prosecution of any such tax reduction proceedings.

Section 12.2 Application of Refunds or Savings

Any refunds or savings in the payment of taxes resulting from such tax reduction proceedings applicable to taxes payable during the period prior to the year of the Closing shall belong to and be the property of the Sellers, and any refunds or savings in the payment of taxes applicable to taxes for the year of the Closing shall be prorated based on the relative number of days of ownership of the applicable Property; provided, however, that if any such refund creates an obligation to reimburse any Tenants under Space Leases for any rents or additional rents paid or to be paid, that portion of such refund equal to the amount of such required reimbursement (after deduction of allocable expenses as may be provided in the Space Lease to such tenant) shall, at the Sellers' election, either (a) be paid to the Buyer and the Buyer shall disburse the same to such tenants or (b) be paid by the Sellers directly to the Tenants entitled thereto. All attorneys' fees and other expenses incurred in obtaining such refunds or savings shall be apportioned between the Sellers and the Buyer in proportion to the gross amount of such refunds or savings payable to the Sellers and the Buyer, respectively (without regard to any amounts reimbursable to Tenants); provided, however, that neither the Sellers nor the Buyer shall have any liability for any such fees or expenses in excess of the refund or savings paid to such party unless such party initiated such proceeding.

Section 12.3 Survival

The provisions of this Article XII shall survive the Closing.

ARTICLE XIII

DEFAULT

Section 13.1 BUYER DEFAULT

a. THIS AGREEMENT MAY BE TERMINATED BY THE SELLERS (I) ON THE CLOSING DATE IF ANY OF THE CONDITIONS PRECEDENT TO THE SELLERS' OBLIGATIONS SET FORTH IN SECTION 5.1 (SUBJECT TO THE TERMS OF SECTION 5.1(B)) HAVE NOT BEEN SATISFIED AS OF THE CLOSING DATE OR WAIVED BY THE SELLERS ON OR PRIOR TO THE CLOSING DATE OR (II) PRIOR TO OR ON THE CLOSING DATE IF THERE IS A MATERIAL BREACH OR DEFAULT BY THE BUYER IN THE PERFORMANCE OF ANY OF THE FOLLOWING OBLIGATIONS UNDER THIS AGREEMENT: (X) THE OBLIGATION TO PAY AT CLOSING THE PURCHASE PRICE AS ADJUSTED PURSUANT TO THIS AGREEMENT; (Y) THE OBLIGATIONS SET FORTH IN SECTION 4.2 OR (Z) THE OBLIGATIONS SET FORTH IN SECTION 6.1 HEREOF.

b. IN THE EVENT THIS AGREEMENT IS TERMINATED BY THE SELLERS

PURSUANT TO CLAUSE (I) OF SUBSECTION 13.1(A), THIS AGREEMENT SHALL BE NULL AND VOID AND OF NO FURTHER FORCE OR EFFECT AND NEITHER PARTY SHALL HAVE ANY RIGHTS OR OBLIGATIONS AGAINST OR TO THE OTHER EXCEPT (I) THE ESCROW AGENT SHALL DISBURSE THE EARNEST MONEY TO THE BUYER AND (II) FOR THOSE PROVISIONS OF THIS AGREEMENT WHICH BY THEIR TERMS EXPRESSLY SURVIVE THE TERMINATION OF THIS AGREEMENT.

c. **IN THE EVENT THE SELLERS TERMINATE THIS AGREEMENT PURSUANT TO CLAUSE (II) OF SUBSECTION 13.1(A) AS A RESULT OF THE BREACH BY THE BUYER OF ANY OBLIGATIONS SET FORTH IN SUBSECTION 13.1(A)(II), THE ESCROW AGENT SHALL DISBURSE THE EARNEST MONEY TO THE SELLERS, AND UPON SUCH DISBURSEMENT THE SELLERS AND THE BUYER SHALL HAVE NO FURTHER OBLIGATIONS UNDER THIS AGREEMENT, EXCEPT THOSE WHICH EXPRESSLY SURVIVE SUCH TERMINATION. THE BUYER AND THE SELLERS HEREBY ACKNOWLEDGE AND AGREE THAT IT WOULD BE IMPRACTICAL AND/OR EXTREMELY DIFFICULT TO FIX OR ESTABLISH THE ACTUAL DAMAGE SUSTAINED BY THE SELLERS AS A RESULT OF SUCH DEFAULT BY THE BUYER, AND AGREE THAT THE EARNEST MONEY IS A REASONABLE APPROXIMATION THEREOF. ACCORDINGLY, IN THE EVENT THAT THE BUYER BREACHES THIS AGREEMENT BY DEFAULTING ON THE OBLIGATIONS SPECIFIED IN SUBSECTION 13.1(A)(II) ABOVE, THE EARNEST MONEY THEN HELD BY ESCROW AGENT SHALL CONSTITUTE AND BE DEEMED TO BE THE AGREED AND LIQUIDATED DAMAGES OF THE SELLERS, AND SHALL BE PAID BY THE ESCROW AGENT TO THE SELLERS AS THE SELLERS' SOLE AND EXCLUSIVE REMEDY HEREUNDER; PROVIDED, HOWEVER, THE FOREGOING SHALL NOT LIMIT THE BUYER'S OBLIGATION TO PAY TO THE SELLERS ALL ATTORNEYS' FEES AND COSTS OF THE SELLERS TO ENFORCE THE PROVISIONS OF THIS SECTION 13.1 OR LIMIT THE BUYER'S INDEMNIFICATION OBLIGATIONS OWED TO THE SELLERS PURSUANT TO THIS AGREEMENT WHICH SURVIVE A TERMINATION OF THIS AGREEMENT. THE PAYMENT OF THE EARNEST MONEY AS LIQUIDATED DAMAGES IS NOT INTENDED TO BE A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, OR ANY SIMILAR PROVISION, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE SELLERS PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677**.

SELLERS' INITIALS: **BUYER'S INITIALS:**

___/s/ G.A._____ ___/s/ W.J. T._____

Section 13.2 SELLERS' DEFAULT

a. THIS AGREEMENT MAY BE TERMINATED BY THE BUYER (I) ON THE CLOSING DATE IF ANY OF THE CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATIONS SET FORTH IN SECTION 5.2 HAVE NOT BEEN SATISFIED AS OF THE CLOSING DATE OR WAIVED BY THE BUYER ON OR PRIOR TO THE CLOSING DATE OR (II) PRIOR TO OR ON THE CLOSING DATE, IF THERE IS A MATERIAL BREACH OR DEFAULT BY THE SELLERS IN THE PERFORMANCE OF ANY OF THE FOLLOWING OBLIGATIONS UNDER THIS AGREEMENT: (X) THE OBLIGATION UNDER THIS AGREEMENT TO CAUSE THE SALE OF THE ASSETS ON THE CLOSING DATE, (Y) THE OBLIGATIONS SET FORTH IN SUBSECTIONS 3.4(A), 3.4(C) (WITH RESPECT TO ASSUMED MATERIAL CONTRACTS,

MANAGEMENT AGREEMENTS AND FRANCHISE AGREEMENTS ONLY), 3.4(D), 3.4(E), 3.4(I), 3.4(K) AND (Z) THE OBLIGATIONS SET FORTH IN SECTION 6.2 HEREOF.

b. IN THE EVENT THIS AGREEMENT IS TERMINATED BY THE BUYER PURSUANT TO CLAUSE (I) OF SUBSECTION 13.2(A), THIS AGREEMENT SHALL BE NULL AND VOID AND OF NO FURTHER FORCE OR EFFECT AND NEITHER PARTY SHALL HAVE ANY RIGHTS OR OBLIGATIONS AGAINST OR TO THE OTHER EXCEPT (I) FOR THOSE PROVISIONS OF THIS AGREEMENT WHICH BY THEIR TERMS EXPRESSLY SURVIVE THE TERMINATION OF THIS AGREEMENT AND (II) THE ESCROW AGENT SHALL DISBURSE THE EARNEST MONEY TO THE BUYER AS THE BUYER'S SOLE AND EXCLUSIVE REMEDY.

c. **IN THE EVENT THE BUYER TERMINATES THIS AGREEMENT PURSUANT TO CLAUSE (II) OF SUBSECTION 13.2(A) AS THE RESULT OF THE SELLERS' BREACH OF ANY OF THE OBLIGATIONS SET FORTH IN SUBSECTION 13.2(A)(II), THE BUYER, AT ITS OPTION AND AS ITS SOLE AND EXCLUSIVE REMEDY, MAY EITHER (I) TERMINATE THIS AGREEMENT, DIRECT THE ESCROW AGENT TO DELIVER THE EARNEST MONEY TO THE BUYER AND RETAIN THE EARNEST MONEY, AT WHICH TIME THIS AGREEMENT SHALL BE TERMINATED AND OF NO FURTHER FORCE AND EFFECT EXCEPT FOR THE PROVISIONS WHICH EXPLICITLY SURVIVE SUCH TERMINATION, OR (II) SPECIFICALLY ENFORCE THE TERMS AND CONDITIONS OF THIS AGREEMENT; PROVIDED, HOWEVER, THAT SUCH ACTION SEEKING SPECIFIC PERFORMANCE SHALL BE INITIATED WITHIN 90 DAYS OF THE CLOSING DATE. THE BUYER AND THE SELLERS HEREBY ACKNOWLEDGE AND AGREE THAT IT WOULD BE IMPRACTICAL AND/OR EXTREMELY DIFFICULT TO FIX OR ESTABLISH THE ACTUAL DAMAGE SUSTAINED BY THE BUYER AS A RESULT OF SUCH DEFAULT BY THE SELLERS, AND AGREE THAT THE REMEDY SET FORTH IN CLAUSE (I) OF THIS SUBSECTION 13.2(C) IS A REASONABLE APPROXIMATION THEREOF. ACCORDINGLY, IN THE EVENT THAT THERE IS A MATERIAL BREACH OR DEFAULT BY THE SELLERS IN THE PERFORMANCE OF THEIR OBLIGATIONS DESCRIBED IN 13.2(A)(II) ABOVE, AND THE BUYER ELECTS NOT TO EXERCISE THE REMEDY SET FORTH IN CLAUSE (II) OF THIS SUBSECTION 13.2(C) BUT INSTEAD ELECTS THE REMEDY SET FORTH IN CLAUSE (I) OF THIS SUBSECTION 13.2(C), THE DELIVERY OF THE EARNEST MONEY TO THE BUYER SHALL CONSTITUTE AND BE DEEMED TO BE AGREED AND LIQUIDATED DAMAGES AND IS NOT INTENDED TO BE A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, OR ANY SIMILAR PROVISION, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE BUYER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. IN ADDITION TO TERMINATING THIS AGREEMENT AND THE RETURN OF THE EARNEST MONEY TO THE BUYER, IN THE EVENT THIS AGREEMENT IS TERMINATED BY THE BUYER AS A RESULT OF A WILLFUL AND PURPOSESFUL DEFAULT BY THE SELLERS, THE SELLERS SHALL REIMBURSE THE BUYER FOR THE REASONABLE OUT-OF-POCKET THIRD PARTY DUE DILIGENCE COSTS AND EXPENSES AND ATTORNEYS' FEES ACTUALLY INCURRED BY THE BUYER IN CONNECTION WITH THIS AGREEMENT, IN AN AGGREGATE AMOUNT NOT TO EXCEED $2,000,000. THE BUYER AGREES TO, AND DOES HEREBY, WAIVE ALL OTHER REMEDIES AGAINST THE SELLERS WHICH THE BUYER MIGHT OTHERWISE HAVE AT LAW OR IN EQUITY BY REASON OF SUCH BREACH OR DEFAULT BY THE SELLERS.**

SELLERS' INITIALS: BUYER'S INITIALS:

/s/ G.A. /s/ W.J. T.

Section 13.3 Disbursement of Earnest Money

The provisions of Section 13.1 and Section 13.2 which provide for the disbursement by Escrow Agent of the Earnest Money are subject to the terms of Section 15.4(a) of this Agreement, including the time periods contained therein for delivery of notices of objection, if any.

ARTICLE XIV

OTHER AGREEMENTS; EMPLOYEE MATTERS

Section 14.1 Management and Franchise Agreements

(a) Following the Effective Date, the Buyer shall continue to diligently pursue (i) the consents required, if any, from the Franchisors and Managers to the transfer of the Properties and the assignment of the applicable Franchise Agreement or the Management Agreement to the Buyer and (ii) the release of the applicable Seller, Hilton and their respective affiliates from any obligations under such Franchise Agreement or Management Agreement to the extent accruing from and after the Closing without payment of any penalty or termination amount (each, a "Required Franchisor/Manager Consent"). Notwithstanding the foregoing, in the event one or more Required Franchisor/Manager Consents has been denied by the applicable Franchisor or Manager or has not been obtained by the Closing Date, this Agreement shall remain in full force and effect without adjustment to the Purchase Price, the Sellers shall terminate the applicable Franchise Agreement or Management Agreement (each, a "Terminated Franchise/Management Agreement"), the Buyer shall acquire the applicable Property(ies) at Closing without the benefit or burdens of such Franchise Agreement or Management Agreement, and pay all termination fees due in connection with such termination (the "Termination Amounts") and indemnify the Sellers, Hilton, their respective affiliates and the Seller-Related Entities and hold them harmless from and against any Losses arising or accruing under the Terminated Franchise/Management Agreement as a result of such termination. The entering into by the Buyer of a replacement management agreement with a Manager or a replacement franchise agreement with a Franchisor (with the existing Management Agreement or Franchise Agreement being terminated at no cost to the Sellers) shall be treated for purposes of this Section 14.1 as a Required Franchisor/Manager Consent under clause (i) of the definition thereof (but shall not be deemed to constitute a Required Franchisor/Manager Consent for purposes of clause (ii) of such definition). In the event any Franchise Agreement or Management Agreement is assigned to the Buyer or its affiliates and the Sellers, Hilton or their respective affiliates are not released from any obligations thereunder which arise or accrue from and after the Closing Date, then the Buyer shall indemnify and hold harmless the Sellers, Hilton, their respective affiliates and the Seller-Related Entities from and against any Losses incurred by the Sellers, Hilton, their respective affiliates or the Seller-Related Entities thereunder which arise from and after the Closing Date; provided, however, the maximum amount that the Buyer shall be liable for under such indemnity shall not exceed the amount the applicable licensee, franchisee, owner and/or tenant is liable for under such Franchise Agreement or Management Agreement arising or resulting from the breach or default by such party under such agreement or a termination by such party of such agreement from and after the Closing.

(b) Notwithstanding anything in this Agreement to the contrary, the Sellers shall not be required to incur any cost or any liabilities in connection with the Buyer obtaining the Required Franchisor/Manager Consents, except that the Sellers shall be responsible for any PIP request fees payable under the Franchise Agreements in connection therewith. The Buyer shall be responsible for all other

costs, expenses and fees payable in connection with obtaining the Required Franchisor/Manager Consents, including, but not limited to, all application fees and costs, franchise fees and the reimbursement of Franchisor's costs and expenses.

(c) The provisions of this Section 14.1 shall survive the Closing Date without limitation.

Section 14.2 San Diego Business Center Lease

The parties acknowledge that pursuant to the terms of the San Diego Business Center Lease, (a) the landlord has exercised its right thereunder to relocate the demised premises, (b) the consent of such landlord is required to the assignment of the San Diego Business Center Lease to the Buyer and (c) such landlord has the right to recapture the demised premises (the "Recapture Right"). The Sellers have requested the consent of such landlord to the assignment of the San Diego Business Center Lease to the Buyer. If the landlord fails to consent to the assignment of the San Diego Business Center Lease on or prior to the Closing Date, then the San Diego Business Center Lease shall not be assigned to the Buyer and shall be deemed to be a Terminated Contract for purposes of this Agreement. To the extent the landlord notifies the Sellers that it is exercising the Recapture Right, then the San Diego Business Center Lease shall terminate in accordance with its terms. In no event shall the assignment of the San Diego Business Center Lease to the Buyer, or the consent of the landlord under the San Diego Business Center Lease to such assignment, be a condition to either party's obligation to Close under this Agreement.

Section 14.3 Liquor Licenses

The Sellers shall cooperate in such manner as the Buyer may reasonably request, in connection with the Buyer's efforts to maintain in effect existing licenses or, if required, obtain new licenses, in either case to permit the sale of alcoholic beverages at the Properties following the Closing, including without limitation providing as soon as practicable all information in the possession of the Sellers or their affiliates necessary or appropriate to permit the Buyer to make such governmental applications as it deems necessary or appropriate and making available for consultation the Sellers' personnel and contractors. If as of the Closing Date a valid license is not, in the Buyer's reasonable judgment, in effect at any Property permitting the sale of alcoholic beverages after the Closing, the Sellers shall enter into (or shall cause any affiliate of Seller which holds a liquor license at a Property to enter into) such agreements and arrangements as are reasonably requested by the Buyer, including liquor management or other management agreements, in form and substance reasonably satisfactory to the Buyer and the Sellers and which agreements by their terms would permit the sale of alcoholic beverages to occur at the Property utilizing the licenses then in effect; provided, (i) the Buyer shall indemnify and hold the Sellers, their affiliates and the Seller-Related Entities harmless from any Liability or expense incurred under any such agreements, (ii) the Closing shall not be contingent upon the effectiveness or legality of any such agreements and (iii) the term of any such agreements shall not be longer than 90 days. In no event shall the transfer of any existing liquor licenses or the issuance of a new license be a condition precedent to the Buyer's obligations under this Agreement. The provisions of this Section 14.3 shall survive the Closing without limitation.

Section 14.4 Employee Matters

(a) Union Agreement; Employees. The Buyer acknowledges that the Employees are currently employed by the Manager of each Property. At Closing, the Buyer shall assume all rights, liabilities, obligations and interests of the "owner" under or in connection with the Union Agreement which arise or accrue on or after the Closing Date, and the Buyer shall (or shall cause its manager) to offer (or continue the) employment at each Property to all of the Employees at such Property who are represented for purposes of collective bargaining by any labor organization (the "Union Represented Employees") so as to transition employment of the Union Represented Employees in accordance with the

terms of subsection 14.4(b). The Buyer shall execute the Assignment of Union Contract. Upon the expiration or earlier termination of the Interim Management Agreement, the Buyer shall cause any successor to WHM as manager of the Hilton Boston Property to execute an agreement to assume the Union Agreement and to assume all rights, liabilities, obligations and interests of the "operator" under or in connection with the Union Agreement which arise or accrue on or after such date, and the Buyer shall cause such successor manager to offer (or continue the) employment at the Hilton Boston Property to all Union Represented Employees so as to transition employment of the Union Represented Employees in accordance with the terms of subsection 14.4(b).

(b) Hiring of Employees. Subject to the provisions of Section 14.4(a), the parties intend that there will be continuity of employment with respect to all of the Employees, as set forth below. It is agreed that prior to, or in connection with, the Closing, the Buyer shall take no action to cause the Sellers or any Manager to terminate the employment of any Employee, and neither the Sellers nor any Manager shall be under any obligation to terminate any Employee prior to or on the Closing Date. It is further agreed that effective as of the Closing Date, the Buyer shall (or shall cause the applicable manager to) offer (or continue the) employment at each Property to all Employees (including but not limited to the Union Represented Employees), including those on vacation, leave of absence, disability or layoff, who were employed by the Manager at such Property on the day immediately preceding the Closing Date. Such offer of (or continued) employment shall be on the same terms (including compensation, salary, fringe benefits, job responsibility and location) as those provided to such Employees by such Manager on the day immediately preceding the Closing Date. Those Employees who accept the Buyer's (or its manager's) offer of employment and commence (or continue) employment with the Buyer (or its manager) on the Closing Date shall hereafter be referred to as "Transferred Employees". The Buyer shall be liable for any amounts to which any Employee becomes entitled under any benefits or severance policy, plan, agreement, arrangement or program which exists or arises, or may be deemed to exist or arise, as a result of or in connection with the transactions contemplated by this Agreement, whether under the Union Agreement (to the extent such Employees are covered by the Union Agreement), applicable law or otherwise. The Sellers and the Buyer acknowledge and agree that if the Buyer and any manager enter into any new management agreement (in lieu of the Buyer's assumption of an existing Management Agreement) as of the Closing, all Employees at the applicable Property as of the Closing Date shall be offered employment by such manager after the Closing Date. The Sellers and the Buyer also agree that, upon the expiration or earlier termination of the Interim Management Agreement, the Buyer shall cause the successor to WHM as manager of the Hilton Boston Property to comply with the terms of this subsection 14.4(b), except that all references to the "Closing" or the "Closing Date" contained in this subsection shall be deemed to refer to the date of such expiration or termination.

(c) Indemnity. The Buyer shall indemnify, defend and hold the Sellers and the Seller-Related Entities harmless from and against any and all claims, actions, suits, demands, proceedings, losses, expenses, damages, obligations and liabilities (including costs of collection, attorney's fees and other costs of defense) arising out of or otherwise in respect of (i) the termination of any Employees; (ii) failure of the Buyer (or the applicable manager) to offer (or continue the) employment of any Transferred Employee on the same terms as said Employee enjoys on the day immediately preceding the Closing Date, to the extent required pursuant to Section 14.4(a) and (b); (iii) failure of the Buyer to comply with its obligations (including, but not limited to, any statutory or contractual obligations) with respect to the Transferred Employees; (iv) any claim made by any Employee for severance pay; and (v) any liability relating to the Employees or any Union Agreement that is incurred on or after the Closing Date, including any liabilities resulting from the failure of any successor to WHM as manager of the Hilton Boston Property to assume the Union Agreement as required under the terms thereof or to comply with the provisions of this Section 14.4. The Sellers shall indemnify, defend and hold the Buyer and the Buyer-Related Entities harmless from and against any and all claims, suits, charges, complaints, demands, grievances, proceedings, losses, expenses, damages, obligations and liabilities (including costs of

collection, attorney fees and other defense costs or disbursements) arising out of or otherwise in respect of any failure of the Sellers to comply with their obligations (including, but not limited to, any statutory or contractual obligations) with respect to the Transferred Employees which occur or transpire in whole or in part prior to the Closing Date.

(d) WARN Act. The Buyer (or the applicable Manager) shall not, at any Property at any time prior to 90 days after the Closing Date, effectuate a "plant closing" or "mass layoff," as those terms are defined in the WARN Act, affecting in whole or in part any site of employment, facility, operating unit or Employee, without notifying the Sellers in advance and without complying with the notice requirements and other provisions of the WARN Act. In addition, the Buyer shall provide a full defense to, and indemnify the Sellers and the applicable Manager for any claims, suits, charges, complaints, demands, grievances, proceedings, losses, expenses, damages, obligations and liabilities (including costs of collection, attorney fees and other defense costs or disbursements) which the Sellers or applicable Manager may incur in connection with any suit or claim of violation brought against or affecting the Sellers or the applicable Manager under the WARN Act for any actions taken by the Buyer (or its manager) with regard to any site of employment, facility, operating unit or employee affected by this Agreement, including but not limited to liability under the WARN Act that arises in whole or in part as a result of any "employment loss", as that term is defined in the WARN Act, which was caused by the Buyer in such 90 day period following the Closing Date.

(e) No Third Party Beneficiaries. Nothing in this Article 14 shall create any third-party beneficiary rights for the benefit of any Employees. The Buyer and the Sellers acknowledge that all provisions contained in Article 14 with respect to Employees are included for the sole benefit of the Buyer (and the Buyer's affiliates, as applicable) and the Sellers (and Sellers' affiliates, as applicable) and shall not create any right (i) in any other person, including any Employees, former Employees, any participant in any Union Employee Benefit Plans or any beneficiary thereof or (ii) to continued employment with the Buyer or any of its affiliates, managers or contractors following the Closing Date. WHM and its affiliates, agents, representatives and successors and assigns shall be an express third party beneficiary of this Section 14.4.

(f) Survival. The provisions of this Section 14.4 shall survive the Closing without limitation.

Section 14.5 Condominium Estoppel

The Sellers shall use commercially reasonable efforts to obtain an estoppel certificate from the board of directors of the condominium association or applicable governing body of the Condominium at the Westin San Diego Property (the "Condominium Estoppel"). Delivery of the Condominium Estoppel prior to the Closing Date shall not be a condition to Closing. If the Condominium Estoppel has not been obtained prior to the Closing Date, then the parties shall continue to reasonably cooperate (at no cost to the Sellers) post-Closing to attempt to obtain such Condominium Estoppel.

Section 14.6 Required Consents; Releases

a. To the extent the assignment to the Buyer or its designee of any Contracts requires the consent of the vendor, materialman, service provider or other counterparty thereto (each, a "Required Consent"), then the Sellers shall use commercially reasonable efforts to obtain such Required Consent at or prior to the Closing. The Buyer shall reasonably cooperate with the Sellers' efforts to obtain the Required Consents. In the event any Required Consent is not obtained at or prior to Closing, then (i) the applicable Contract (each, a "Rejected Contract") shall not be assigned by the Sellers or assumed by the Buyer and shall be deemed to be a Terminated Contract, (ii) the Sellers shall terminate such Rejected Contract, at Seller's sole cost and expense, and (iii) in no event shall the Buyer be required to assume such Rejected Contract. The delivery of any Required Consent shall not be a condition to the Sellers' or the Buyer's obligation to consummate the transactions under this Agreement

on the Closing Date, and there shall be no reduction in the Purchase Price in connection with or as a result of any Rejected Contracts. In no event shall the Sellers be required to pay or commit to pay any cash or other consideration or to incur any liability in connection with obtaining any Required Consents, except that the Sellers shall indemnify and hold harmless the Buyer and the Buyer-Related Entities from and against any costs or expenses actually incurred by the Buyer in connection with (A) the termination of any Rejected Contracts (but not for the costs or expenses of obtaining any replacement Contract) or (B) the Sellers' efforts to obtain the Required Consents.

b. The Sellers shall indemnify and hold harmless the Buyer and the Buyer-Related Entities from and against any obligations or liabilities actually incurred by the Buyer which arise or accrue under the terms of the LodgeNet Agreements for the period prior to the Closing Date.

c. The Sellers and the Buyer shall reasonably cooperate to obtain the release of the Sellers from any obligations and liabilities which arise following the Closing Date under each of the Assumed Contracts set forth on Schedule 14.6(b) hereto. In the event any such release is not obtained at or prior to the Closing, then the Buyer shall indemnify and hold harmless the Sellers and the Seller-Related Entities from and against any Losses which arise or accrue under such Assumed Contracts from and after the Closing Date.

d. The provisions of this Section 14.6 shall survive the Closing without limitation.

ARTICLE XV

MISCELLANEOUS

Section 15.1 Joint and Several Liability

Notwithstanding anything to the contrary contained in this Agreement, the liabilities and obligations of the Sellers shall be joint and several in all respects.

Section 15.2 Brokers

(g) . (a) Each Seller represents and warrants to the Buyer that it has dealt with no broker, salesman, finder or consultant with respect to this Agreement or the transactions contemplated hereby. Each Seller agrees to indemnify, protect, defend and hold the Buyer harmless from and against all claims, losses, damages, liabilities, costs, expenses (including reasonable attorneys' fees and disbursements) and charges resulting from such Seller's breach of the foregoing representation in this subsection 15.2(a). The provisions of this subsection 15.2(a) shall survive the Closing and any termination of this Agreement.

(a) The Buyer represents and warrants to the Sellers that it has dealt with no broker, salesman, finder or consultant, other than Goldman Sachs (the "Buyer's Consultant") with respect to this Agreement or the transactions contemplated hereby. The Buyer shall pay the Buyer's Consultant a fee in connection with this transaction in accordance with a separate agreement between the Buyer and the Buyer's Consultant and only upon the occurrence of the Closing. The Buyer agrees to indemnify, protect, defend and hold the Sellers harmless from and against all claims, losses, damages, liabilities, costs, expenses (including reasonable attorneys' fees and disbursements) and charges in connection with any amounts payable by the Buyer to the Buyer's Consultant with respect to this Agreement or the transactions contemplated hereby. The provisions of this subsection 15.2(b) shall survive the Closing and any termination of this Agreement.

Section 15.3 Confidentiality; Press Release; IRS Reporting Requirements

a. The Buyer and the Sellers shall hold as confidential all information disclosed in connection with the transaction contemplated hereby and concerning each other, the Assets, this

Agreement and the transactions contemplated hereby and shall not release any such information to third parties without the prior written consent of the other parties hereto, except (i) any information which was previously or is hereafter publicly disclosed (other than in violation of this Agreement or other confidentiality agreements to which affiliates of the Buyer are parties), (ii) to their partners, advisers, underwriters, analysts, employees, affiliates, officers, directors, consultants, lenders, accountants, legal counsel, title companies or other advisors of any of the foregoing, provided that they are advised as to the confidential nature of such information and are instructed to maintain such confidentiality, (iii) to comply with any law, rule or regulation and (iv) materials and information that are required in Buyer's reasonable determination based on consultation with Buyer's counsel to be included in the offering documents relating to the Buyer's issuance of Common Stock (including without limitation, the prospectus supplement and Form 8-K relating thereto), and/or otherwise pursuant to Securities and Exchange Commission reporting requirements, provided the Buyer shall provide the Sellers a reasonable opportunity to review such materials and information prior to filing. The parties agree that the Buyer may file a copy of this Agreement (excluding the Schedules) with the Securities and Exchange Commission as a material contract. Notwithstanding any provision of this Agreement, the parties hereto (and their employees, representatives and agents) may disclose to any and all Persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of transactions effected pursuant to this Agreement, provided, however, (y) the parties hereto (and their employees, representatives and agents) shall keep confidential any such information to the extent necessary to comply with any applicable federal or state securities law, and (z) the parties hereto agree that the tax treatment and tax structure do not include, and the parties hereto (and their employees, representatives and agents) shall keep confidential, the name of, and other identifying information regarding, any such party or transactions, including the specific economic terms of such transactions. The foregoing shall constitute a modification of any prior confidentiality agreement that may have been entered into by the parties. The provisions of this subsection 15.3(a) shall survive the Closing or the termination of this Agreement for a period of one year.

b. The Sellers or the Buyer may issue a press release with respect to this Agreement and the transactions contemplated hereby, provided that the content of any such press release shall be subject to the prior written consent of the other party hereto.

c. For the purpose of complying with any information reporting requirements or other rules and regulations of the IRS that are or may become applicable as a result of or in connection with the transaction contemplated by this Agreement, including, but not limited to, any requirements set forth in proposed Income Tax Regulation Section 1.6045-4 and any final or successor version thereof (collectively, the "IRS Reporting Requirements"), the Seller and the Buyer hereby designate and appoint the Escrow Agent to act as the "Reporting Person" (as that term is defined in the IRS Reporting Requirements) to be responsible for complying with any IRS Reporting Requirements. The Escrow Agent hereby acknowledges and accepts such designation and appointment and agrees to fully comply with any IRS Reporting Requirements that are or may become applicable as a result of or in connection with the transaction contemplated by this Agreement. Without limiting the responsibility and obligations of the Escrow Agent as the Reporting Person, the Sellers and the Buyer hereby agree to comply with any provisions of the IRS Reporting Requirements that are not identified therein as the responsibility of the Reporting Person.

Section 15.4 Escrow Provisions.

a. The Escrow Agent shall hold the Earnest Money in escrow in an interest-bearing bank account at Citibank, N.A. (the "Escrow Account"). Escrow Agent shall have no liability (i) for any levies by taxing authorities based upon the taxpayer identification number used to establish the

Escrow Account or (ii) in the event of any failure, insolvency, or inability of Citibank, N.A. to disburse funds from the Escrow Account when required under this Section 15.4 or to pay accrued interest on the funds in the Escrow Account upon demand for withdrawal.

b. The Escrow Agent shall hold the Earnest Money in escrow in the Escrow Account until the Closing or sooner termination of this Agreement and shall hold or apply such proceeds in accordance with the terms of this subsection 15.4(b). The Sellers and the Buyer understand that no interest is earned on the Earnest Money during the time it takes to transfer into and out of the Escrow Account. At Closing, the Earnest Money shall be paid by the Escrow Agent to, or at the direction of, the Sellers. If for any reason the Closing does not occur and either party makes a written demand upon the Escrow Agent for payment of such amount, the Escrow Agent shall, within 24 hours give written notice to the other party of such demand. If the Escrow Agent does not receive a written objection within five Business Days after the giving of such notice, the Escrow Agent is hereby authorized to make such payment. If the Escrow Agent does receive such written objection within such five Business Day period or if for any other reason the Escrow Agent in good faith shall elect not to make such payment, the Escrow Agent shall continue to hold such amount until otherwise directed by joint written instructions from the parties to this Agreement or a final judgment of a court of competent jurisdiction. However, the Escrow Agent shall have the right at any time to deposit the Earnest Money with the clerk of the court of New York County. The Escrow Agent shall give written notice of such deposit to the Sellers and the Buyer. Upon such deposit the Escrow Agent shall be relieved and discharged of all further obligations and responsibilities hereunder.

c. The parties acknowledge that the Escrow Agent is acting solely as a stakeholder at their request and for their convenience, that the Escrow Agent shall not be deemed to be the agent of either of the parties, and the Escrow Agent shall not be liable to either of the parties for any act or omission on its part, other than for its gross negligence or willful misconduct. The Sellers and the Buyer shall jointly and severally indemnify and hold the Escrow Agent harmless from and against all costs, claims and expenses, including attorneys' fees and disbursements, incurred in connection with the performance of the Escrow Agent's duties hereunder.

d. The Escrow Agent has acknowledged its agreement to these provisions by signing this Agreement in the place indicated following the signatures of the Sellers and the Buyer.

Section 15.5 Successors and Assigns; No Third-Party Beneficiaries

The stipulations, terms, covenants and agreements contained in this Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective permitted successors and assigns (including any successor entity after a public offering of stock, merger, consolidation, purchase or other similar transaction involving a party hereto) and nothing herein expressed or implied shall give or be construed to give to any person or entity, other than the parties hereto and such assigns, any legal or equitable rights hereunder.

Section 15.6 Assignment

a. This Agreement may not be assigned by the Buyer without the prior written consent of the Sellers. The Buyer may designate one or more affiliates which are controlled and majority owned by the Buyer, directly or indirectly, to which one or more of the Assets will be conveyed at Closing, provided that the Buyer will continue to remain primarily liable under this Agreement notwithstanding any such designation. Without limiting the foregoing, the Buyer shall have the flexibility to have certain Properties, Assumed Contracts, FF&E and other portions of the Assets assigned to subsidiaries of the Buyer's taxable REIT subsidiary.

b. Notwithstanding anything in this Agreement to the contrary, prior to the Closing, the Sellers may designate one or more affiliates of any Seller to hold all or a portion of the Share Consideration, provided, simultaneously with the issuance of the Share Consideration to any such

affiliate, such affiliate shall execute a joinder to this Agreement in the form attached hereto as Exhibit P with respect to the Sellers' obligations under Section 11.1 of this Agreement.

Section 15.7 Further Assurances

From time to time, as and when requested by any party hereto, the other party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

Section 15.8 Notices

All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and shall be (i) personally delivered, (ii) delivered by express mail, Federal Express or other comparable overnight courier service, (iii) telecopied, with telephone confirmation within one Business Day or (iv) mailed to the party to which the notice, demand or request is being made by certified or registered mail, postage prepaid, return receipt requested, as follows:

a. To any Seller:

c/o Blackstone Real Estate Advisors VI L.P.
345 Park Avenue
New York, New York 10154
Attention: William Stein
Facsimile: (212) 583-5726
Telephone: (212) 583-5849

with copies thereof to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Sasan Mehrara and Brian Stadler
Facsimile: (212) 455-2502
Telephone: (212) 455-2000

b. If to the Buyer:

DiamondRock Hospitality Company
3 Bethesda Metro Center
Suite 1500
Bethesda, Maryland 20814
Attention: General Counsel
Facsimile: (240) 477-1199
Telephone: (240) 744-1188

with copy to:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019-6099
Attention: Steven D. Klein, Esq.

Facsimile: (212) 728-9221
Telephone: (212) 728-8221

c. To the Escrow Agent:

First American Title Insurance Company
1825 Eye Street NW, Suite 302
Washington, DC 20006
Attention: Brian Lobuts
Facsimile: (714) 824-4841
Telephone: (202) 530-1804

d. To the Title Company:

First American Title Insurance Company
1825 Eye Street NW, Suite 302
Washington, DC 20006
Attention: Brian Lobuts
Facsimile: (714) 824-4841
Telephone: (202) 530-1804

with a copy to:

Fidelity National Title Insurance Company
1 Park Avenue, Suite 1402
New York, New York 10016
Attention: Kenneth Cohen
Facsimile: (646) 742-0733
Telephone: (212) 845-3135

e. All notices (i) shall be deemed to have been given on the date that the same shall have been delivered in accordance with the provisions of this Section and (ii) may be given either by a party or by such party's attorneys. Any party may, from time to time, specify as its address for purposes of this Agreement any other address upon the giving of 10 days' prior notice thereof to the other parties.

Section 15.9 Entire Agreement

This Agreement, along with the Exhibits and Schedules hereto contains all of the terms agreed upon between the parties hereto with respect to the subject matter hereof, and all understandings and agreements heretofore had or made among the parties hereto are merged in this Agreement which alone fully and completely expresses the agreement of the parties hereto.

Section 15.10 Amendments

This Agreement may not be amended, modified, supplemented or terminated, nor may any of the obligations of the Sellers or the Buyer hereunder be waived, except by written agreement executed by the party or parties to be charged.

Section 15.11 No Waiver

No waiver by either party of any failure or refusal by the other party to comply with its obligations hereunder shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

Section 15.12 Governing Law

This Agreement shall be governed by, interpreted under, and construed and enforced in accordance with, the laws of the State of New York.

Section 15.13 Submission to Jurisdiction

. Each of the Buyer and each Seller irrevocably submits to the jurisdiction of (a) the Supreme Court of the State of New York and (b) the United States District Court for the Southern District of New York for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each of the Buyer and each Seller further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. Each of the Buyer and each Seller irrevocably and unconditionally waives trial by jury and irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (x) the Supreme Court of the State of New York and (y) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 15.14 Severability

If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 15.15 Section Headings

The headings of the various Sections of this Agreement have been inserted only for purposes of convenience, are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

Section 15.16 Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

Section 15.17 Construction

The parties acknowledge that the parties and their counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

Section 15.18 Recordation

Neither this Agreement nor any memorandum or notice of this Agreement may be recorded by any party hereto without the prior written consent of the other party hereto. The provisions of this Section shall survive the Closing or any termination of this Agreement.

Section 15.19 Use of Blackstone Name and Address

The Buyer hereby acknowledges and agrees that neither the Buyer nor any affiliate,

successor, assignee or designee of the Buyer shall be entitled to use the name “Blackstone,” “Luxury Resorts and Hotels,” “LXR” or “WHM LLC” in any way whatsoever. The provisions of this Section 15.19 shall survive the Closing and any termination of this Agreement.

Section 15.20 Guest Baggage and Safe Deposit Boxes

a. Property of Guests. All baggage, parcels or property checked or left in the care of the Sellers by current guests or tenants as of the Closing Date, or by those formerly staying at any of the Properties, or others, shall be sealed and listed in an inventory prepared jointly by representatives of the Sellers and the Buyer as of the Closing Date and initialed and exchanged by such representatives. Possession and control of all such other baggage, parcels or property listed on such inventory shall be delivered to the Buyer on the Closing Date and the Buyer shall be responsible from and after the Closing Date for the liability of all items listed in such inventory, but only in the condition actually delivered by the Sellers.

b. Notice to Persons With Safe Deposit Boxes. On the Closing Date, the Sellers shall give written notices (“Seller Verification Notices”) to guests, tenants, and other persons who have safe deposit boxes at any Property or who have deposited items in the house safe at such Property (the “Depositors”), if any, advising them of the sale of such Property to the Buyer and requesting, within 48 hours, verification of the contents of their safe deposit boxes and/or the house safe and either (i) removal of such contents, or (ii) if such Depositors desire to have the continued use of the safe deposit boxes and/or the house safe, the execution of a new agreement with the Buyer for such continued use. Copies of Seller Verification Notices shall be given to the Buyer. During said 48-hour period, each safe deposit box and/or the house safe shall be opened and the items therein recorded only in the presence of representatives of both Sellers and the Buyer. If the Depositors desire to continue to use a safe deposit box and/or the house safe, the Buyer shall make arrangements for such continued use. The contents of all safe deposit boxes and/or the house safe of Depositors not responding to Seller Verification Notices shall be opened promptly after the expiration of the 48-hour period, but only in the presence of both the Sellers and the Buyer. The contents of all boxes so opened shall be listed in an inventory at the time such safe deposit boxes or house safe are opened, each such list shall be signed by the representatives of the Sellers and the Buyer, the keys and/or combinations to the boxes shall be delivered to the Buyer, and the boxes shall then be relocked, sealed and left in the possession of the Buyer. The Sellers hereby agree to indemnify and hold the Buyer harmless from and against any liability based on damage occurring prior to the date of Closing which is verified and recorded on the date of Closing.

Section 15.21 Survival

a. Any obligations or liabilities of the Sellers or the Buyer hereunder shall survive the Closing Date or termination of this Agreement only to the extent expressly provided herein.

b. Unless expressly stated otherwise, all terms and provisions contained in this Agreement shall not survive the Closing.

Section 15.22 District of Columbia Specific Provisions

a. Soil Characteristic. The characteristic of the soil of the Westin Washington DC Property, as described by the Soil Conservation Service of the U.S. Department of Agriculture in the Soil Survey Book of the District of Columbia published in July, 1976, and as shown on the Soil Maps of the District of Columbia at the back of that publication, is Urban Land. For further information, the Buyer may contact a soil testing laboratory, the District of Columbia Department of Environmental Services or the Soil Conservation Service of the U.S. Department of Agriculture. The foregoing is given pursuant to requirements of the District of Columbia Code and is not intended, and shall not be construed as, limiting the conditions set forth herein with respect to the Buyer's right to make investigations, tests and studies satisfactory to it.

b. District of Columbia Underground Storage Tank Disclosure Notice. In accordance with the requirements of Section 3(g) of the District of Columbia Underground Storage Tank Management Act of 1990, as amended by the District of Columbia Underground Storage Tank Management Act of 1990 Amendment Act of 1992 (the "DC Act"), the Sellers have informed the Buyer, and hereby re-informs the Buyer, that the Sellers have no knowledge of the existence or removal, during the relevant Seller's ownership of the Westin Washington DC Property, of any underground storage tanks (as that term is defined in the DC Act) at or from the Westin Washington DC Property. This disclosure notice was provided to the Buyer prior to entering into this Agreement.

c. Personal Property and Sales and Use Tax Audit. The Sellers shall indemnify and hold the Buyer-Related Entities harmless from and against any damages, costs, fees or expenses (including, without limitation, reasonable attorneys' fees and disbursements) actually suffered or incurred by the Buyer-Related Entities which arise or result from the audit by the Washington DC Taxing Authority which is more particularly described in the Westin DC Audit Notice. The obligations of the Sellers under this subsection 15.22(c) shall survive the Closing.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

SELLERS:

RAD-BURL, LLC
W-BOSTON, LLC
W-EMERALD, LLC
WIND DC OWNER L.L.C.

By: __/s/ Glenn Alba_____
Name: Glenn Alba
Title: Managing Director and Vice President

BUYER:

DIAMONDROCK HOSPITALITY COMPANY

By: __/s/ William J. Tennis/_____
Name: William J. Tennis
Title: Executive Vice President & General Counsel

Exhibit 10.2

REGISTRATION RIGHTS AND LOCK-UP AGREEMENT

This Registration Rights and Lock-Up Agreement (this "**Agreement**") is entered into as of July 12, 2012 by and among DiamondRock Hospitality Company, a Maryland corporation (the "**Company**"), and the holder listed on Exhibit A hereto (the "**Holder**")

WHEREAS, the Company and Affiliates (as hereinafter defined) of the Holder are parties to the Purchase Agreement (as hereinafter defined);

WHEREAS, the Company will issue shares of its Common Stock (as hereinafter defined) in satisfaction of a portion of the consideration owing pursuant to the Purchase Agreement (such shares, the "**Shares**");

WHEREAS, the Sellers (as defined in the Purchase Agreement) have designated the Holder to receive the Shares and the Company has agreed to grant the Holder registration rights with respect to the Shares; and

WHEREAS, the Holder has agreed to certain transfer restrictions with regard to the Shares.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises and agreements set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Certain Definitions.

As used in this Agreement, the following terms shall have the respective meanings set forth below:

"**Agreement**" shall have the meaning set forth in the preamble to this Agreement.

"**Affiliate**" shall mean a Person that directly, or indirectly though one or more intermediaries, controls, is controlled by, or is under common control with a specified Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"**Anniversary Date**" shall have the meaning set forth in Section 3(e)(ii).

"Block Out Day" means any day that (1) the Company has suspended its obligations to effect a Qualified Offering pursuant to Sections 3(c)(i)(3) or (4); (2) the Company has suspended use of the prospectus forming part of Registration Statement pursuant to Section 7; or (3) a Holder is subject to a lock-up pursuant to Section 5(b).

"**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which banks are authorized or required by law to be closed in New York City, New York.

"**Charter**" shall mean the Articles of Incorporation of the Company filed with the Maryland State

Department of Assessments and Taxation, as amended and/or restated.

"**Common Stock**" shall mean the common stock, par value $.01 per share, of the Company.

"**Company**" shall have the meaning set forth in the preamble to this Agreement.

"**Demand Registration Request**" shall have the meaning set forth in Section 3(d) hereof.

"**Effectiveness Period**" shall have the meaning set forth in Section 3(a) hereof.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended (or any successor statute thereto), and the rules and regulations promulgated thereunder.

"**FINRA**" shall mean the Financial Industry Regulatory Authority.

"**Holder**" shall have the meaning set forth in the preamble to this Agreement, and "Holders" shall include a Person who becomes a Holder in accordance with Section 11(c).

"**Indemnitee**" shall have the meaning set forth in Section 6(a) hereof.

"**Inspectors**" shall have the meaning set forth in Section 4(m) hereof.

"**Lock-Up Period**" shall have the meaning set forth in Section 2(a) hereof.

"**Lock-Up Securities**" shall have the meaning set forth in Section 2(a) hereof.

"**NYSE**" shall mean the New York Stock Exchange.

"**Person**" shall mean any natural person, partnership, joint-stock company, association, limited liability company, corporation, trust, or unincorporated organization, or other governmental or legal entity.

"**Permitted Free Writing Prospectus**" shall have the meaning set forth in Section 5(a) hereof.

"**Prospectus**" shall mean the prospectus included in a Registration Statement (including, without limitation, any preliminary prospectus, any Permitted Free Writing Prospectus and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A under the Securities Act), as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and by all other amendments and supplements to such prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"**Purchase Agreement**" shall mean that certain Agreement of Purchase and Sale, dated as of July 9, 2012, by and among the Sellers named therein and the Company.

"**Qualified Offering**" shall mean an offering pursuant to an effective Registration Statement in which Shares are sold (i) to an underwriter on a firm commitment basis for reoffering and resale to the public, (ii) in an offering that is a "bought deal" with one or more investment banks or (iii) in a block trade with a broker-dealer.

"**Qualified Offering Notice**" shall have the meaning set forth in Section 3(c) hereof

"**Registrable Securities**" shall mean (i) all of the Shares (as equitably adjusted for any stock dividend, stock split, recapitalization, recombination or other similar transaction which occurs after the date hereof) acquired pursuant to the Purchase Agreement and (ii) any securities issued as a dividend or other distribution with respect thereto; provided, however, that Registrable Securities shall not include (a) Shares for which a Registration Statement relating to the sale thereof has become effective under the Securities Act and which have been disposed of under such Registration Statement or (b) Shares sold pursuant to Rule 144.

"**Registration Expenses**" shall mean any and all expenses incurred by the Company in effecting any registration pursuant to this Agreement, including without limitation: (i) all registration and filing fees; (ii) all fees and expenses associated with a required listing of the Registrable Securities on any securities exchange; (iii) fees and expenses with respect to filings required to be made with the NYSE, any other securities exchange or FINRA; (iv) fees and expenses of compliance with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel for the Holders in connection with "blue sky" qualifications of the securities and determination of their eligibility for investment under the laws of such jurisdictions); (v) printing expenses, messenger, telephone and delivery expenses; and (vi) fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company (including the expenses of any comfort letters or costs associated with the delivery by independent registered public accountants of a comfort letter or comfort letters); provided, however, that Registration Expenses shall not include, and the Company shall not have any obligation to pay, any underwriting fees, discounts, or commissions attributable to the sale of such Registrable Securities, or any legal fees and expenses of counsel to any Holder and counsel to any underwriter engaged by any Holder or any transfer taxes relating to the registration or a sale of the Registrable Securities.

"**Registration Statement**" shall mean any registration statement of the Company that covers the resale of any of the Registrable Securities pursuant to the provisions of this Agreement filed with, or to be filed with, the SEC under the Securities Act (and may cover other securities of the Company) on an appropriate form, and all amendments and supplements to such Registration Statement, including pre-and post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all materials incorporated by reference therein.

"**Rule 144**" means Rule 144 promulgated under the Securities Act (or any successor provision).

"**SEC**" shall mean the Securities and Exchange Commission and any successor thereto.

"**Securities Act**" shall mean the Securities Act of 1933, as amended (or any successor statute thereto), and the rules and regulations promulgated thereunder.

"**Selling Holder**" shall mean a Holder who is selling Registrable Securities pursuant to a Registration Statement.

"**Shares**" shall have the meaning set forth in the recitals to this Agreement.

"**Shelf Offering**" shall have the meaning set forth in Section 3(b) hereof.

"**Shelf Offering Notice**" shall have the meaning set forth in Section 3(b) hereof.

"**Shelf Registration Statement**" shall mean a Registration Statement on Form S-3 or another appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act.

"**Suspension Period**" shall have the meaning set forth in Section 7(a) hereof.

"**Transfer**" shall have the meaning set forth in Section 2(a) hereof.

"**WKSI**" shall mean a well-known seasoned issuer, as defined in Rule 405 under the Securities Act.

Section 2. LOCK-UP AGREEMENT.

(a) During the period beginning on the date hereof and ending on the date which is 150 days from the date hereof (December 9, 2012) (the "**Lock-Up Period**"), each Holder will not, directly or indirectly (1) offer, pledge, sell, contract to sell, announce the intention to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, make any short sale or otherwise dispose of or transfer (collectively, "**Transfer**") any shares of the Company's Common Stock, including, without limitation, the Shares, or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the Holders (collectively, the "**Lock-Up Securities**") or (2) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of the Shares or other securities, in cash or otherwise. The foregoing restrictions in clauses (1) and (2) (x) shall not be applicable to any Transfer to or other agreement or transaction with an Affiliate of any Holder; provided that such Transfer shall be conditioned upon the transferee executing and delivering to the Company a written acceptance of all the terms and conditions of this Section 2 and (y) may be waived by the Company in its sole discretion with respect to any specific Transfer, agreement or transaction. Notwithstanding the foregoing, any transferee of any transferred Shares shall be subject to the ownership limitations and transfer restrictions set forth in the Company's Charter.

(b) Any Transfer or attempted Transfer of Lock-Up Securities in violation of this Section 2 shall, to the fullest extent permitted by law, be null and void *ab initio*, and the Company shall not, and shall instruct its transfer agent and other third parties, not to, record or recognize any such purported transaction on the share register of the Company. The Company may impose stop-transfer instructions with respect to the Lock-Up Securities subject to the restrictions in Section 2(a) until the end of the Lock-Up Period.

Section 3. **Registration Rights.**

(a) Shelf Registration Statement.

(1) The Company shall use its best efforts to prepare and file with the SEC prior to the expiration of the Lock-Up Period, a Shelf Registration Statement with respect to resales of all Registrable Securities, subject to the transfer restrictions set forth in Section 2(a). Unless such Shelf Registration Statement shall become automatically effective, the Company shall use its best efforts to cause the Shelf Registration Statement to become or be declared effective by the SEC for all of the Registrable Securities covered thereby prior to the expiration of the Initial Lock-Up Period. To the extent the Company is a WKSI at the time that the Shelf Registration Statement is to be filed, the Company shall file an automatic Shelf Registration Statement which covers such Registrable Securities.

(2) The Company agrees to use its reasonable best efforts to keep the Shelf Registration Statement (or a successor Registration Statement filed with respect to the Registrable Securities) continuously effective (including by filing a new Shelf Registration Statement if the initial Shelf Registration Statement expires) in order to permit the Prospectus forming a part therof to be lawfully delivered and the Shelf Registration Statement useable for resale of the Registrable Securities, subject to Section 2 and Section 7, so long as there are any Registrable Securities outstanding (the "**Effectiveness Period**").

(b) Shelf Offerings. Subject to Section 7, upon the written request of a Holder ("**Shelf Offering Notice**") to the Company made at any time after the Lock-Up Period and from time to time during the Effectiveness Period, the Company will use its reasonable best efforts to facilitate a "takedown" of Registrable Securities off of the Shelf Registration Statement by such Holder ("**Shelf Offering**") by amending or supplementing the Prospectus related to the Shelf Registration Statement as may be reasonably requested by such Holder as promptly as reasonably practicable upon receipt of the Shelf Offering Notice. The Holders shall give the Company prompt written notice of the consummation of a sale effected in any Shelf Offering. For the avoidance of doubt, in the event any Shelf Offering is a Qualified Offering, such offering shall be subject to the conditions and limitations set forth in Section 3(c) below. Neither the Company nor any stockholder of the Company (other than the Holders) may include securities in any offering requested under Section 3(a), (b), (c) or (d) of this Agreement.

(c) Underwritten Offerings.

(1) Subject to Section 7, at any time after the expiration of the Lock-Up Period and from time to time during the Effectiveness Period, a Holder may notify the Company in writing that such Holder desires to sell its Registrable Securities by means of a Qualified Offering (a "**Qualified Offering Notice**") and the Company shall use its reasonable best efforts to facilitate such Qualified Offering, including the actions required by Section 4; provided, however, that the Company shall not be obligated to effect, or take any action to effect, a Qualified Offering if:

(1) the value of the Registrable Securities to be sold in the Qualified Offering (based on the closing price of the Registrable Securities on the trading day immediately preceding the date of the Qualified Offering Notice) shall be less than $25 million;

(2) such Qualified Offering Notice is received before the expiration of any lock-up period required by the underwriters in any prior Qualified Offering, if such lock-up period is not waived by the underwriters;

(3) at the time the Company receives a Qualified Offering Notice, the Company is actively undertaking an underwritten offering of its stock and the Company has previously delivered a notice to the Holders of its intention to undertake such proposed underwritten offering; provided that immediately following the date the Company ceases to actively pursue or has completed such offering, subject to Section 5.1(b), the Company shall again be obligated to effect a Qualified Offering pursuant to this Section 3(c) unless the Holder has withdrawn its request for a Qualified Offering; or

(4) at the time the Company receives a Qualified Offering Notice, the Company is in active discussions with underwriters regarding an underwritten offering of Common Stock and it is reasonably likely that such an underwritten offering will be promptly initiated by the Company, but the Company has not yet

delivered a written notice to the Holders in accordance with Section 3(c)(i)(3); provided, however, that the Company shall not be entitled to invoke either Section 3(c)(i)(3) or (4) (x) unless the Company has complied with Section 3(e) with respect to its offering and also is not permitting the use of any registration statement with respect to any securities of the Company to be sold by any other stockholders of the Company or (y) if the Company has completed two (2) sales of Common Stock in any rolling 365-day period in which Common Stock is sold (I) to an underwriter on a firm commitment basis for offering and sale to the public, (II) in an offering that is a "bought deal" with one or more investment banks or (III) in a block trade with a broker-dealer;
provided, further, the Company shall not be entitled to invoke either Section 3(c)(i)(3) or (4) (and, if invoked, such Section shall cease to have effect) at any time that the Holders shall have been subject to an aggregate of 120 or more Block Out Days in any rolling 365-day period or if either Section has been invoked during any rolling 6-month period.

(2) In connection with each Qualified Offering pursuant to this Section 3(c), the Holders will determine the lead book runner(s), who shall be reasonably acceptable to the Company, and such other matters affecting the structure and marketing of the Qualified Offering.

(3) The rights of the Holders set forth in this Section 3(c) shall terminate if the Holders cease to own, in the aggregate, 1% or more of the outstanding Common Stock.

(4) Notwithstanding the foregoing provisions or anything else to the contrary set forth in this Agreement, the Company shall not be obligated to undertake more than two (2) Qualified Offerings pursuant to this Section 3(c) (excluding any Qualified Offering in respect of which the Company is not required to enter into an underwriting agreement, purchase agreement or other similar agreement or take any action referenced in Section 4(m)) and provided further that the Company shall not be obligated to effect any Qualified Offering if the occurrence of such Qualified Offering would result in more than two Qualified Offerings being effected in any rolling 365-day period.

(d) Demand Registration.

(1) Subject to Section 7, upon the written request of a Holder (the "**Demand Registration Request**") made at any time after the expiration of the Lock-Up Period and from time to time thereafter during the Effectiveness Period, if the Company is not eligible to file a Shelf Registration Statement or the Company has not used its best efforts to have a Shelf Registration Statement declared effective by the SEC or the Shelf Registration Statement shall cease to be effective, the Company shall file with the SEC, no later than 45 days after such written request, a Registration Statement with respect to all of the Registrable Securities held by the Holders. The Holder submitting the Demand Registration Request shall concurrently provide written notice of the proposed registration to all other Holders and such Holders shall promptly provide the Company with information required by Section 3(f). For the avoidance of doubt, if a Holder intends to sell Registrable Securities covered by the Demand Registration Request by means of a Qualified Offering, it shall so advise the Company as part of its Demand Registration Request and the conditions and limitations set forth in Section 3(c) shall apply.

(2) The Company shall use its reasonable best efforts to cause such Registration Statement to be declared effective by the SEC for all of the Registrable Securities covered thereby as soon as reasonably practicable following the filing thereof,

but in no event later than 75 days after the filing of such Registration Statement.

(e) Piggyback Registration

(1) If at any time following the Lock-Up Period, (x) the Company shall determine to register any of its capital stock either (A) for its own account, or (B) for the account of other holders of securities of the Company (other than (I) a registration relating solely to employee or director benefit or distribution reinvestment plans), (II) a registration relating solely to a Rule 145 transaction under the Securities Act, (III) a registration on any registration form which may not be used for the registration or qualification of Registrable Securities or does not include substantially the same information as would be required to be included in a Registration Statement or (IV) a new universal shelf registration statement solely for its own account, or (y) shares of capital stock are to be sold in an underwritten offering (whether or not for the account of the Company), the Company will, subject to the conditions set forth in this Section 3(e):

(1) promptly give to each of the Holders a written notice thereof; and

(2) subject to Section 3(e)(ii) below and any transfer restrictions to which any Holder may be subject, including the transfer restrictions set forth in Section 2, include in such registration and/or underwritten offering, all of the Registrable Securities specified in a written request or requests, made by the Holders. Such written request may specify all or less than all of the Holder's Registrable Securities and shall be received by the Company within five (5) Business Days after written notice from the Company is given under Section 3(e)(i)(1) above.

(2) Underwriting. In connection with any offering involving an underwriting of shares of the Common Stock or other equity securities of the Company under this Section 3(e), the Company shall not be required under this Section 3(e) to include any of the Holders' Registrable Securities in such underwriting unless such Holder accepts the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other Persons entitled to select the underwriters); provided, however, that such underwriting agreement shall be in customary form and shall not provide for indemnification or contribution obligations on the part of any Holder greater than the obligations of the Holders under Section 6(b) or Section 6(d) of this Agreement. If any Holder who has requested inclusion in such registration disapproves of the terms of the underwriting agreement, such Holder shall not be required to enter into such underwriting agreement and shall withdraw from such registration by providing written notice to the Company and the underwriters. If the total amount of securities, including Registrable Securities, requested by Selling Holders and other stockholders of the Company with similar piggyback registration rights to be included in an offering pursuant to this Section 3(e) exceeds the maximum amount of securities that the underwriters determine in their reasonable opinion can be sold in such offering without adversely affecting the marketability of the offering then the Company shall be required to include in such offering only that number of such Registrable Securities, if any, which the underwriters determine in their reasonable opinion, will not adversely affect the marketability of the offering (the Registrable Securities so included, if any, to be apportioned pro rata among the Selling Holders according to the total amount of securities requested to be included therein owned by each Selling Holder or in such other proportions if mutually agreed to by such Selling Holders); provided that, until the date which is 18 months after the date

hereof (the "**Anniversary Date**"), unless all Registrable Securities requested by Selling Holders are included in such offering, no securities of any other stockholder of the Company shall be included in such offering. After the Anniversary Date, securities of any other stockholder with similar piggyback registration rights may be included in an offering pursuant to this Section 3(e), such securities to be apportioned pro rata among the Selling Holders and such other stockholders according to the total amount of securities requested to be included therein.

(3) In the case of an offering initiated by the Company as a primary offering on behalf of the Company, nothing contained herein shall prohibit the Company from determining, at any time, not to file a registration statement or, if filed, to withdraw such registration or terminate or abandon the offering related thereto.

(f) Further Information

It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 3 with respect to the Registrable Securities of any Holder that such Holder furnish to the Company such information regarding itself, the Registrable Securities held by it, and the potential method of disposition (which may be an underwritten offering or one or more other methods permitted by law) of such securities and such other information relating to such Holder as the Company may reasonably request as shall be required to effect the registration of such Holder's Registrable Securities. Each Holder agrees to furnish such information to the Company and to cooperate with the Company as reasonably requested to enable the Company to comply with the provisions of this Agreement.

(g) Expenses of Registration

The Company shall bear all Registration Expenses incurred in connection with the registration of the Registrable Securities pursuant to this Agreement and the Company's performance of its other obligations under the terms of this Agreement.

Section 4. Registration Procedures.

In connection with each registration effected by the Company pursuant to Section 3 or offering pursuant thereto, as applicable, the Company will:

(a) as promptly as practicable, prepare and file with the SEC such amendments, post-effective amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to cause or maintain the effectiveness of such Registration Statement for so long as such Registration Statement is required to be kept effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement during the period in which such Registration Statement is required to be kept effective; provided that (i) within a reasonable period of time prior to filing a Registration Statement or Prospectus or any amendments or supplements thereto, the Company shall furnish to one counsel selected by the Holders and to the underwriters in an underwritten offering copies of all such documents proposed to be filed including documents that are to be incorporated by reference into the Registration Statement, amendment or supplement, (ii) the Company shall fairly consider such reasonable changes in any such documents prior to the filing thereof as the counsel to the Holders may request and (iii) the Company shall make available such of its representatives as shall be reasonably requested by the Holders or any underwriter available for discussion of such documents. The expenses of such counsel incurred in connection with the foregoing review by Holders' counsel shall be borne by the Holders.

(b) furnish to each Holder of Registrable Securities being registered, without charge, such number of conformed copies of such Registration Statement and of each such amendment and supplement thereto (in each case including all exhibits) other than those which are being incorporated into such Registration Statement by reference, such number of copies of the Prospectus contained in such Registration Statements (including each complete Prospectus and any summary or preliminary Prospectus) and any other Prospectus filed under Rule 424 under the Securities Act in conformity with the requirements of the Securities Act, and such other documents, including documents incorporated by reference, as any Holder or an underwriter in an underwritten offering may reasonably request, in each case including each such amendment and supplement thereto, to the extent such other documents are not available on the SEC's Electronic Data Gathering Analysis and Retrieval System, in order to facilitate the disposition of the Registrable Securities by such Holder (it being understood that the Company consents to the use of such Prospectus and any amendment or supplement thereto by the Holders and their underwriters, if any, in connection with the offering and sale of the Registrable Securities thereby);

(c) use its reasonable best efforts to (i) register or qualify all Registrable Securities under such other securities or "blue sky" laws of such jurisdictions as the Holders shall reasonably request, (ii) keep such registration or qualification in effect for so long as such Registration Statement is required to be kept effective, (iii) cooperate with the Holders and the underwriters, if any, and their respective counsel in connection with any filings required to be made with FINRA and (iv) take any other action which may be reasonably necessary or advisable to enable the Holders to consummate the disposition in such jurisdiction of the Registrable Securities owned by the Holders, provided that the Company shall not for any such purpose be required to qualify generally to do business as a foreign company or to register as a broker or dealer in any jurisdiction where it would not otherwise be required to qualify but for this Section 4(c), or to consent to general service of process in any such jurisdiction, or to be subject to any material tax obligation in any such jurisdiction where it is not then so subject;

(d) otherwise use its reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first fiscal quarter beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act;

(e) subject to Section 3(c), if a disposition of Registrable Securities takes the form of a Qualified Offering, enter into customary agreements (including, in the case of an underwritten offering, underwriting agreements in customary form, and including provisions with respect to indemnification and contribution in customary form and consistent with the provisions relating to indemnification and contribution contained herein) and take all other customary actions at such times as customarily occur in similar registered offerings in order to facilitate the disposition of such Registrable Securities and in connection therewith:

(1) make such representations and warranties to the Selling Holders and the underwriters, if any, in form, substance and scope as are customarily made by issuers in similar underwritten offerings;

(2) use its reasonable best efforts to obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the lead managing underwriter, if any) addressed to each Selling Holder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Selling Holders and the lead managing underwriter; and

(3) use its reasonable best efforts to obtain “cold comfort” letters and updates thereof from the Company's independent certified public accountants addressed to the Selling Holders, if permissible, and the underwriters, if any, which letters shall be customary in form and shall cover matters of the type customarily covered in “cold comfort” letters to underwriters in connection with primary underwritten offerings.

(f) promptly notify the Holders if at any time a Prospectus relating to the Registrable Securities is required to be delivered under the Securities Act, (i) the representations and warranties of the Company contained in any agreement for the sale of any Registrable Securities under a Registration Statement cease to be true and correct in all material respects, or (ii) the Company becomes aware of the happening of any event as a result of which the applicable Registration Statement or the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances then existing, not misleading, and, subject to Section 7, at the request of the Holders, promptly prepare and file, and furnish to the Holders a reasonable number of copies of, a supplement to or an amendment of such Registration Statement or such Prospectus as may be necessary so that such Registration Statement or, as thereafter delivered to the purchasers of such securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances then existing, not misleading;

(g) cooperate with the Holders to facilitate the timely delivery, preparation and delivery of certificates, with requisite CUSIP numbers, representing Registrable Securities to be sold;

(h) use its reasonable best efforts to take such actions as under its control to remain a WKSI and not become an ineligible issuer during the period when such Registration Statement remain in effect;

(i) use its reasonable best efforts to comply or continue to comply with the Securities Act and the Exchange Act and with all applicable rules and regulations of the SEC thereunder so as to enable any Holder to sell its Registrable Securities pursuant to Rule 144, including without limitation to:

(1) make and keep public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act;

(2) furnish to the Holders so long as they own any Registrable Securities, promptly upon written request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, (ii) a copy of the most recent annual or quarterly report of the Company and any other reports and documents so filed by the Company, to the extent such other documents are not available on the SEC's Electronic Data Gathering Analysis and Retrieval System, and (iii) such other information as may be reasonably requested in availing a Holder of Rule 144;

(3) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(4) take any action (including cooperating with the Holders to cause the transfer agent to remove, following the expiration of the Lock-Up Period, any restrictive legend on certificates evidencing the Registrable Securities) as shall be reasonably requested by the Holder or which shall otherwise facilitate the sale of Registrable Securities from time to time by the Holders pursuant to Rule 144.

(j) provide a transfer agent and registrar for all Registrable Securities covered by a

Registration Statement not later than the effective date of such Registration Statement;

(k) use its reasonable best efforts to list and maintain such listing of all Registrable Securities covered by a Registration Statement on any securities exchange or national quotation system on which any such class of securities is then listed or quoted and cause to be satisfied all requirements and conditions of such securities exchange or national quotation system to the listing or quoting of such securities that are reasonably within the control of the Company including, without limitation, registering the applicable class of Registrable Securities under the Exchange Act, if appropriate, and using reasonable best efforts to cause such registration to become effective pursuant to the rules of the SEC in accordance with the terms hereof;

(l) notify each Holder, promptly after it shall receive notice thereof, of the time when such Registration Statement, or any post-effective amendments to such Registration Statement, shall have become effective, or a supplement to any Prospectus forming part of such Registration Statement has been filed or when any document is filed with the SEC which would be incorporated by reference into the Prospectus;

(m) in the case of a Qualified Offering, make the Company's executive officers available for customary presentations to investors to discuss the affairs of the Company at times that may be mutually and reasonably agreed upon (including, without limitation, to the extent customary, senior management participation in due diligence calls with the underwriters and their counsel and, in the case of any marketed underwritten offering, participation in any road show as reasonably requested by the lead managing underwriters for such offering; provided that in no event will senior management be required to participate in person in any road show located out of the United States and in more than 3 locations outside of Washington, D.C.), and provide the Holders, the underwriters and their respective counsel and accountants (the "**Inspectors**") reasonable access to its books and records as shall be reasonably requested in order to conduct a reasonable due diligence investigation within the meaning of the Securities Act with respect to such registration statement; provided that such Inspectors agree to keep such information confidential unless the disclosure of such information is necessary, in the good faith determination of the Company, to avoid or correct a misstatement or omission in such registration statement;

(n) deliver promptly to Holders' counsel copies of all correspondence between the SEC and the Company, its counsel or auditors with respect to any Registration Statement;

(o) advise each Holder, promptly after it shall receive notice or obtain knowledge thereof, of (i) the issuance of any stop order, injunction or other order or requirement by the SEC suspending the effectiveness of such Registration Statement or the initiation or threatening of any proceeding for such purpose and use its reasonable best efforts to prevent the issuance of any stop order, injunction or other order or requirement, (ii) the issuance by any state securities or other regulatory authority of any order suspending the qualification or exemption from qualification of any of the Registrable Securities under state securities or "blue sky" laws or the initiation or threat of initiation of any proceedings for that purpose and use its reasonable best efforts to prevent the issuance of any such order and (iii) the removal of any such stop order, injunction or other order or requirement or proceeding or the lifting of any such suspension;

(p) use its reasonable best efforts to obtain as soon as practicable the lifting of any stop order, injunction, or other order or requirement by the SEC or any state securities or other regulatory authority that is issued suspending the effectiveness of such Registration Statement or suspending the qualification or exemption from qualification under state securities or "blue sky" laws; and

(q) subject to the terms of this Agreement, upon the written request of a Holder, take any action which is reasonably necessary in the reasonable opinion of the Company to facilitate the registration and thereafter to complete the distribution of the Registrable Securities so

registered.

Section 5. Covenants OF HOLDERS.

(a) The Holders will not offer or sell, without the Company's consent, not to be unreasonably withheld, any Registrable Securities by means of any "free writing prospectus" (as defined in Rule 405 under the Securities Act) that is required to be filed by a Holder with the SEC pursuant to Rule 433 under the Securities Act (any free writing prospectus consented to by the Company, a "**Permitted Free Writing Prospectus**"). The Company agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rules 164 and 433 under the Securities Act, and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely filing with the SEC where required, legending and record keeping.

(b) In the event of a public sale of the Company's equity securities by the Company in an underwritten offering, whether or not the Holders participate therein but subject to the Company's compliance with Section 3(e), the Holders hereby agree not to effect any sale or distribution (including, without limitation, any offer to sell, contract to sell, short sale, or any option to purchase) of any securities (except, in each case, as part of such underwritten offering, if applicable) that are the same or similar to those being offered in connection with such public sale, or any securities convertible into or exchangeable for such securities, during the period beginning five (5) days before, and ending sixty (60) days (or such lesser period as may be permitted by the Company or such managing underwriter or underwriters) after, the effective date of the Registration Statement filed in connection with such underwritten offering, to the extent notified in writing by the Company or the managing underwriter or underwriters; provided that if any other holder of Company securities is released from similar "lock-up" obligations with respect to such an underwritten offering and the aggregate of securities so released is greater than 250,000 shares, then the Holders shall also be released from their "lock-up" obligations in an amount of securities equal to the amount of securities so released for such other securityholders, such release pro rata among the Holders based on the number of their Shares subject to the "lock-up." Each Holder also agrees to execute an agreement evidencing the restrictions in this Section 5(b) in customary form, which form is satisfactory to the Company and the underwriters; provided that the executive officers and directors of the Company shall enter into similar agreements for not less than the entire period required of the Holders hereunder. The Company may impose stop-transfer instructions with respect to the securities subject to the foregoing restrictions until the end of the required period. This Section 5(b) shall not be applicable if the Holders do not own, in the aggregate, 5% or more of the Common Stock outstanding immediately prior to the underwritten offering.

Section 6. Indemnification.

(a) Indemnification by the Company.

To the fullest extent permitted by law, the Company agrees to indemnify each of the Holders and each of its officers, directors, managers, partners, members, employees, agents, representatives and Affiliates, each underwriter (within the meaning of the Securities Act), and each Person, if any, that controls (within the meaning of the Securities Act) a Holder or an underwriter, (each, an "**Indemnitee**"), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including without limitation reasonable fees, expenses and disbursements of attorneys and other professionals), joint or several, as incurred, arising out of or based upon (i) any violation or alleged violation by the Company, its officers, directors,

employees, agents or representatives of this Agreement, the Securities Act, the Exchange Act or other federal or state law applicable to the Company and any rule or regulation promulgated thereunder relating to action or inaction of the Company under the terms of this Agreement or in connection with any Registration Statement or Prospectus or offering of securities under any Registration Statement, (ii) any untrue or alleged untrue statement of material fact contained in any Registration Statement, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (iii) any third party claim based upon any untrue or alleged untrue statement of material fact contained in any Prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company shall not be liable to such Indemnitee or any Person who participates as an underwriter in the offering or sale of Registrable Securities or any other Person, if any, who controls such underwriter (within the meaning of the Securities Act), in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or in any such Prospectus in reliance upon and in conformity with information regarding such Indemnitee or its plan of distribution or ownership interests which was furnished in writing to the Company for use in connection with such Registration Statement or the Prospectus contained therein by such Indemnitee.

(b) Indemnification by Holders.

Each of the Holders (severally and not jointly), to the fullest extent permitted by law, agrees to indemnify the Company, each of its officers, directors, employees, agents, representatives and Affiliates, and each Person, if any, who controls the Company (within the meaning of the Securities Act) against any and all losses, claims, damages, actions, liabilities, costs and expenses arising out of or based upon (i) any untrue statement or alleged untrue statement of material fact contained in a Registration Statement, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances under which they were made, if and to the extent that such statement or omission occurs from reliance upon and in conformity with written information regarding any Holder, or such Holder's plan of distribution or ownership interest, which was furnished to the Company by such Holder for use therein, (ii) any untrue statement or alleged untrue statement of material fact contained in the Prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, if and to the extent that such statement or omission occurs from reliance upon and in conformity with written information regarding such Holder, his, her or its plan of distribution or his, her or its ownership interests, which was furnished to the Company by such Holder for use therein; provided, however, that the obligations of each of the Holders hereunder shall be limited to an amount equal to the net proceeds received by such Holder giving rise to such indemnification obligation upon the sale of the Registrable Securities.

(c) Indemnification Procedures.

Any party entitled to indemnification under this Agreement shall notify promptly the indemnifying party in writing of the commencement of any action or proceeding with respect to which a claim for indemnification may be made hereunder, but the failure of any indemnified party to provide such notice shall not relieve the indemnifying party of its obligations hereunder,

except to the extent the indemnifying party is materially prejudiced thereby and shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than hereunder. In case any action or proceeding is brought against an indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, unless in the reasonable opinion of outside counsel to the indemnified party a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, to assume the defense thereof (alone or jointly with any other indemnifying party similarly notified), to the extent that it chooses, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party that it so chooses, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof; provided, however, that (i) if the indemnifying party fails to take reasonable steps necessary to defend diligently the action or proceeding within twenty (20) business days after receiving notice from such indemnified party that the indemnified party believes it has failed to do so; or (ii) if such indemnified party who is a defendant in any action or proceeding which is also brought against the indemnifying party shall have reasonably concluded, based on the advice of counsel, that there may be one or more legal defenses available to such indemnified party which are not available to the indemnifying party; or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct, then, in any such case, the indemnified party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all indemnified parties in each jurisdiction, except to the extent any indemnified party or parties reasonably shall have concluded, based on the opinion of counsel, that there may be legal defenses available to such party or parties which are not available to the other indemnified parties or to the extent representation of all indemnified parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct) and the indemnifying party shall be liable for any expenses therefor. No indemnifying party shall, without the written consent of the indemnified party (which shall not be unreasonably withheld), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or (to the knowledge of the indemnifying party) threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (B) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) Contribution.

If the indemnification provided for in this Section 6 is held by a court of competent jurisdiction to be unavailable to an Indemnitee with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the Indemnitee harmless as contemplated therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the Indemnitee, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant equitable considerations. The relative fault of the indemnifying party, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue or alleged untrue statement of a material fact or omission to state a material fact relates

to information supplied by the indemnifying party or by the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that in no event shall the obligation of any indemnifying party to contribute under this Section 6(d) exceed the amount that such indemnifying party would have been obligated to pay by way of indemnification if the indemnification provided for under Section 6 had been available under the circumstances. The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. In addition, no Person shall be obligated to contribute hereunder for any amounts in payment for any settlement of any action or claim, effected without such Person's written consent, which consent shall not be unreasonably withheld.

(e) For purposes of this Section 6, no Indemnitee guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party who was not guilty of such fraudulent misrepresentation. The indemnification provided by this Section 6 shall be a continuing right to indemnification and shall survive the registration and sale of any securities by any Person entitled to indemnification hereunder and the expiration or termination of this Agreement.

Section 7. Suspension of Registration Requirement; Restriction on Sales.

(a) Notwithstanding anything to the contrary contained in this Agreement, the Company shall have the right to defer the filing, or suspend the use by the Holders, of a Registration Statement for a reasonable period of time not in excess of 60 days (each, a "**Suspension Period**") if the Company furnishes the Holders with a certificate signed by the Chief Executive Officer or the Chief Financial Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be detrimental to the Company and its stockholders not to defer the filing, or suspend the use by the Holders, of a Registration Statement because such filing or use would: (i) materially interfere with a material pending financing, acquisition, disposition, corporate reorganization, merger, or other material transaction involving or being contemplated by the Company or (ii) require the Company to make premature disclosure of material non-public information not otherwise then required to be disclosed by law to be publicly disclosed, the premature disclosure of which would materially and adversely affect the Company. The Suspension Period will terminate prior to the expiration stated in the certificate referenced above (x) in the case of clause (i) above, if such registration or use would cease to materially interfere with any such transaction (whether because such transaction shall have been disclosed, abandoned or otherwise) and (y) in the case of clause (ii) above, the date upon which such information is otherwise disclosed or the disclosure of such information would cease to materially and adversely affect the Company. In no event shall there be more than one Suspension Period during any rolling six-month period, and the number of days covered by one or more Suspension Periods shall not exceed one hundred and twenty (120) days in any rolling 365-day period. The right pursuant to this Section 7(a) shall be exercisable by the Company only if the Company is, during any Suspension Period, also is not permitting the use of any registration statement with respect to any securities of the Company to be sold by the Company (other than sales pursuant to an underwritten offering (subject to the Company's compliance with Section 3(e)) or a Company-sponsored dividend reinvestment plan or employee benefit plans) or by any other stockholders of the Company (whether or not in an underwritten offering).

(b) Each Holder agrees that, following the effectiveness of any Registration Statement relating to Registrable Securities of such Holder, such Holder will not effect any dispositions of any of the Registrable Securities pursuant to such Registration Statement or any filings under any state securities laws at any time after such Holder has received notice from the Company to suspend dispositions as a result of the occurrence of any Suspension Period. The Holders will maintain the confidentiality of any information included in the written notice delivered by the Company unless otherwise required by law or subpoena. The Holders may recommence effecting dispositions of the Registrable Securities pursuant to the Registration Statement or such filings, and all other obligations which are suspended as a result of a Suspension Period shall no longer be so suspended, following further notice to such effect from the Company, which notice shall be given by the Company promptly after the conclusion of any such Suspension Period.

Section 8. Additional Shares.

The Company, at its option, may register, under any Registration Statement and any filings under any state securities laws filed pursuant to this Agreement, any number of unissued, or other shares of Common Stock of or owned by the Company and any of its subsidiaries or any shares of Common Stock or other securities of the Company owned by any other security holder or security holders of the Company; provided, however, that the Company shall not enter into any agreement with respect to the Company's securities that is inconsistent with the rights granted to the holders of Registrable Securities under this Agreement and no such agreement is currently in effect.

Section 9. No Other Obligation to Register.

Except as otherwise expressly provided in this Agreement, the Company shall have no obligation to the Holders to register the Registrable Securities under the Securities Act.

Section 10. In-Kind Distributions.

Following the Lock-Up Period, if any Holder seeks to effectuate an in-kind distribution of all or part of its Registrable Securities to its direct or indirect equityholders, the Company will use its reasonable efforts to cooperate with such Holder and the Company's transfer agent to facilitate such in-kind distribution in the manner reasonably requested by such Holder. Notwithstanding the foregoing, any such direct or indirect equityholder receiving an in-kind distribution of Registrable Securities shall be subject to the ownership limitations and transfer restrictions set forth in the Company's Charter.

Section 11. Miscellaneous.

(a) Amendments and Waivers.

The provisions of this Agreement may not be amended, modified, or supplemented or waived without the prior written consent of the Company and Holders holding in excess of two-thirds of the aggregate of the outstanding Registrable Securities.

(b) Notices.

All communications under this Agreement shall be delivered by hand or facsimile (with respect to notice by facsimile between the hours of 8:00 a.m. and 5:00 p.m., New York time) or mailed by overnight courier:

If to the Company: DiamondRock Hospitality Company

3 Bethesda Metro Centre, Suite 1500
Bethesda, Maryland 20814

Attn: General Counsel
Telecopy: (240) 744-1199

with a copy (which shall not constitute notice) to:

Goodwin Procter LLP
Exchange Place
Boston, MA 02109-2881
Attn: Gilbert G. Menna, Esq.
Suzanne D. Lecaroz, Esq.
Telecopy: (617) 523-1231

If to the Holder: At their respective address set forth on Exhibit A.

with a copy (which shall not constitute notice) to:

Simpson Thatcher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attn: Brian Stadler
Telecopy: (212) 455-2502

Any notice so addressed shall be deemed to be given: If delivered by hand or facsimile, on the date of such delivery; and if mailed by overnight courier, on the first business day following the date of such mailing.

(c) Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Holder and the Company; provided, however, that the Holder may only assign its rights and obligations in whole or in part hereunder from time to time to (i) an Affiliate or (ii) in connection with a pledge of Registrable Securities to a bona fide lender; provided that such transferee agrees in writing to be bound by the provisions of this Agreement as a "Holder", a copy of which written agreement shall be furnished to the Company. Notwithstanding the foregoing, in-kind distributions in compliance with Section 10 shall be permitted and such transferees receiving Registrable Securities through an in-kind distribution will only have the right under this Agreement to resell Registrable Securities off of a Shelf Registration Statement and a written agreement acknowledging the limitations set forth in this Section 11(c) shall be required. In addition, in-kind transferees will not be entitled to demand or piggyback rights or any rights pursuant to Section 3(c); rather, their means of a registered resale will be limited to sales off a Shelf Registration Statement. Any purported assignment by any party hereto other than as set forth in this Section 11(c) shall be null and void. No Person other than the parties hereto and their successors and assigns is intended to be a beneficiary of this Agreement.

(d) Remedy.

The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek: (i) specific performance of the obligations, covenants and agreements of any other party under this

Agreement in accordance with the terms and conditions of this Agreement and (ii) preliminary injunctive relief to secure specific performance and to prevent a breach or contemplated breach of this Agreement.

(f) Counterparts.

This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings.

The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed wholly within said State.

(j) Severability.

In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

(k) Entire Agreement.

This Agreement is intended by the parties as a final expression of their agreement and intended to be the complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to such subject matter. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(m) Certain Transactions

In the event that any Shares or other securities are issued in respect of, or in exchange for, or in substitution of the Registrable Securities by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, share dividend, split-up, sale of assets, distribution to stockholders or combination of the Shares or any other similar change in the Company's capital structure, the Company agrees that appropriate adjustments shall be made to this Agreement to ensure that the Holders have, immediately after consummation of such transaction, substantially the same rights of the Company or another issuer of securities, as applicable, as it has immediately prior to the consummation of such transaction in respect of the Registrable Securities under this Agreement. In no event shall the provisions of this Section 11(m) be construed to grant to any Holder a separate right to consent with regard to any such transaction.

[The remainder of this page has been left blank intentionally.]

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

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ William J. Tennis
Name: William J. Tennis
Title: Executive Vice President, General Counsel & Corporate Secretary

HOLDER:

BREP VI (DRH) L.P.

By: Blackstone Real Estate Associates VI (DRH) L.L.C., its general partner

By: Blackstone Real Estate Associates VI-NQ L.P., its sole member

By: BREA VI-NQ L.L.C., its general partner

By: /s/ William J. Stein
Name: William J. Stein
Title: Senior Managing Director

Registration Rights Agreement

Exhibit A

Name of Holder

BREP VI (DRH) L.P.

Address of Holder

c/o Blackstone Real Estate Advisors L.P.
345 Park Avenue
New York, NY 10154

Number of Shares

7,211,538

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Mark W. Brugger, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 25, 2012

/s/ Mark W. Brugger

Mark W. Brugger

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Sean M. Mahoney, certify that:

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

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

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

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

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

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

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

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

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

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2012

/s/ Sean M. Mahoney

Sean M. Mahoney

Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

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

/s/ Mark W. Brugger	/s/ Sean M. Mahoney
Mark W. Brugger	Sean M. Mahoney
Chief Executive Officer	Executive Vice President and Chief Financial Officer
July 25, 2012	July 25, 2012