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

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2016

OR

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

Commission file number 001-32514

**DIAMONDROCK HOSPITALITY COMPANY**

(Exact Name of Registrant as Specified in Its Charter)

Maryland  
(State of Incorporation)

20-1180098  
(I.R.S. Employer Identification No.)

3 Bethesda Metro Center, Suite 1500, Bethesda, Maryland  
(Address of Principal Executive Offices)

20814  
(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  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  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                       Non-accelerated filer                       Smaller reporting company   
(Do not check if a smaller reporting company)

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

The registrant had 200,888,710 shares of its \$0.01 par value common stock outstanding as of August 5, 2016.

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**PART I. FINANCIAL INFORMATION****Item I. Financial Statements****DIAMONDROCK HOSPITALITY COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share and per share amounts)****(unaudited)**

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
<b>ASSETS</b>		
Property and equipment, net	\$ 2,641,298	\$ 2,882,176
Assets held for sale	62,035	—
Restricted cash	45,644	59,339
Due from hotel managers	90,839	86,698
Favorable lease assets, net	18,138	23,955
Prepaid and other assets	52,494	46,758
Cash and cash equivalents	166,548	213,584
Total assets	<u>\$ 3,076,996</u>	<u>\$ 3,312,510</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Mortgage debt, net of unamortized debt issuance costs	\$ 825,995	\$ 1,169,749
Term loan, net of unamortized debt issuance costs	99,299	—
Senior unsecured credit facility	—	—
Total debt	<u>925,294</u>	<u>1,169,749</u>
Deferred income related to key money, net	21,485	23,568
Unfavorable contract liabilities, net	73,601	74,657
Deferred ground rent	77,572	70,153
Due to hotel managers	59,579	65,350
Dividends declared and unpaid	25,583	25,599
Liabilities of assets held for sale	1,137	—
Accounts payable and accrued expenses	54,981	58,829
Total liabilities	<u>1,239,232</u>	<u>1,487,905</u>
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 400,000,000 shares authorized; 200,888,710 and 200,741,777 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	2,009	2,007
Additional paid-in capital	2,059,760	2,056,878
Accumulated deficit	(224,005)	(234,280)
Total stockholders' equity	<u>1,837,764</u>	<u>1,824,605</u>
Total liabilities and stockholders' equity	<u>\$ 3,076,996</u>	<u>\$ 3,312,510</u>

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

**DIAMONDROCK HOSPITALITY COMPANY**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(in thousands, except per share amounts)**  
**(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Revenues:</b>				
Rooms	\$ 186,113	\$ 181,563	\$ 335,556	\$ 326,199
Food and beverage	57,407	56,073	107,781	108,406
Other	13,144	12,165	26,361	24,084
Total revenues	256,664	249,801	469,698	458,689
<b>Operating Expenses:</b>				
Rooms	43,257	41,993	81,971	80,457
Food and beverage	35,265	35,355	68,615	70,901
Management fees	8,772	8,903	15,381	15,103
Other hotel expenses	79,524	77,546	158,453	154,052
Depreciation and amortization	25,005	25,574	50,126	49,911
Impairment losses	—	9,675	—	10,461
Hotel acquisition costs	—	260	—	492
Corporate expenses	6,736	6,331	12,736	11,741
Total operating expenses, net	198,559	205,637	387,282	393,118
<b>Operating profit</b>	58,105	44,164	82,416	65,571
Interest and other income, net	(68)	(227)	(118)	(354)
Interest expense	11,074	12,838	22,738	26,056
Gain on sale of hotel properties	(8,121)	—	(8,121)	—
Total other expenses, net	2,885	12,611	14,499	25,702
<b>Income before income taxes</b>	55,220	31,553	67,917	39,869
Income tax expense	(11,045)	(6,731)	(6,964)	(4,405)
<b>Net income</b>	\$ 44,175	\$ 24,822	\$ 60,953	\$ 35,464
<b>Earnings per share:</b>				
Basic earnings per share	\$ 0.22	\$ 0.12	\$ 0.30	\$ 0.18
Diluted earnings per share	\$ 0.22	\$ 0.12	\$ 0.30	\$ 0.18

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

**DIAMONDROCK HOSPITALITY COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Six Months Ended June 30,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net income	\$ 60,953	\$ 35,464
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,126	49,911
Corporate asset depreciation as corporate expenses	34	43
Gain on sale of hotel properties	(8,121)	—
Non-cash ground rent	2,662	2,987
Amortization of debt issuance costs and debt premium	1,215	1,262
Impairment losses	—	10,461
Amortization of favorable and unfavorable contracts, net	(956)	(727)
Amortization of deferred income related to key money	(1,434)	(534)
Stock-based compensation	3,363	3,000
Changes in assets and liabilities:		
Prepaid expenses and other assets	(5,983)	(4,896)
Restricted cash	3,664	9,116
Due to/from hotel managers	(12,637)	(11,976)
Accounts payable and accrued expenses	1,720	5,832
<b>Net cash provided by operating activities</b>	<b>94,606</b>	<b>99,943</b>
<b>Cash flows from investing activities:</b>		
Hotel capital expenditures	(54,096)	(32,199)
Hotel acquisitions	—	(150,400)
Net proceeds from sale of hotel properties	118,309	—
Change in restricted cash	3,529	5,412
<b>Net cash provided by (used in) investing activities</b>	<b>67,742</b>	<b>(177,187)</b>
<b>Cash flows from financing activities:</b>		
Scheduled mortgage debt principal payments	(5,678)	(7,001)
Proceeds from sale of common stock, net	—	7,766
Proceeds from mortgage debt	—	85,000
Repayments of mortgage debt	(249,793)	(108,821)
Proceeds from senior unsecured term loan	100,000	—
Draws on senior unsecured credit facility	75,000	135,000
Repayments of senior unsecured credit facility	(75,000)	(45,000)
Purchase of interest rate cap	—	(325)
Payment of financing costs	(2,740)	(955)
Deposit on new mortgage loan	—	(75)
Payment of cash dividends	(50,488)	(45,852)
Repurchase of common stock	(685)	(2,735)
<b>Net cash (used in) provided by financing activities</b>	<b>(209,384)</b>	<b>17,002</b>
Net decrease in cash and cash equivalents	(47,036)	(60,242)
Cash and cash equivalents, beginning of period	213,584	144,365
Cash and cash equivalents, end of period	<u>\$ 166,548</u>	<u>\$ 84,123</u>

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

**DIAMONDROCK HOSPITALITY COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)**  
**(in thousands)**  
**(unaudited)**

	Six Months Ended June 30,	
	2016	2015
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 22,407	\$ 23,748
Cash paid for income taxes	\$ 1,203	\$ 507
<b>Non-cash Financing Activities:</b>		
Unpaid dividends	\$ 25,583	\$ 25,479

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

## DIAMONDROCK HOSPITALITY COMPANY

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

#### 1. Organization

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

As of June 30, 2016, we owned 27 hotels with 9,630 guest rooms, located in the following markets: Atlanta, Georgia; Boston, Massachusetts (2); Burlington, Vermont; Charleston, South Carolina; Chicago, Illinois (2); Denver, Colorado (2); Fort Lauderdale, Florida; Fort Worth, Texas; Huntington Beach, California; Key West, Florida (2); New York, New York (5); Salt Lake City, Utah; San Diego, California; San Francisco, California; Sonoma, California; Washington D.C. (2); St. Thomas, U.S. Virgin Islands; and Vail, Colorado. On July 7, 2016, we sold the 169-room Hilton Garden Inn Chelsea/New York City.

We conduct our business through a traditional umbrella partnership real estate investment trust, or UPREIT, in which our hotel properties are owned by our operating partnership, DiamondRock Hospitality Limited Partnership, or subsidiaries of our operating partnership. The Company is the sole general partner of our operating partnership and 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, 2015, included in our Annual Report on Form 10-K filed on February 29, 2016.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 30, 2016 and the results of our operations for the three and six months ended June 30, 2016 and 2015 and cash flows for the six months ended June 30, 2016 and 2015. 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.

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

##### *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 1 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets.

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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, less costs to sell, exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount of the asset, an adjustment to reduce the carrying amount to the related hotel's estimated fair market value is recorded and an impairment loss is recognized. We have not recognized any impairment loss for our investment in hotel properties during any of the periods presented.

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

### *Revenue Recognition*

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

### *Earnings Per Share*

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

### *Stock-based Compensation*

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

### *Income Taxes*

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

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

In order for the income from our hotel property investments to constitute "rents from real properties" for purposes of the gross income tests required for REIT qualification, the income we earn cannot be derived from the operation of any of our hotels. Therefore, we lease each of our hotel properties to a wholly owned subsidiary of Bloodstone TRS, Inc., our taxable REIT subsidiary, 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 30, 2016 and December 31, 2015.



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

### *Intangible Assets and Liabilities*

Intangible assets and liabilities are recorded on non-market contracts assumed as part of the acquisition of certain hotels. We review the terms of agreements assumed in conjunction with the purchase of a hotel to determine if the terms are favorable or unfavorable compared to an estimated market agreement at the acquisition date. Favorable 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.

### *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.

### *Recently Issued Accounting Pronouncements*

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies various aspects of how share-based payments are accounted for and presented in the financial statements. This standard requires companies to record all of the tax effects related to share-based payments through the income statement, allows companies to elect an accounting policy to either estimate the share based award forfeitures (and expense) or account for forfeitures (and expense) as they occur, and allows companies to withhold up to the maximum individual statutory tax rate the shares upon settlement of an award without causing the award to be classified as liability. This guidance is effective for annual periods beginning after December 15, 2016, although early adoption is permitted. We are evaluating the effect of ASU 2016-09 on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which primarily changes the lessee's accounting for operating leases by requiring recognition of lease right-of-use assets and lease liabilities. This standard is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. We are evaluating the effect of ASU 2016-02 on our consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. We adopted ASU No. 2015-16 effective January 1, 2016 and it did not have an impact on our financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. We adopted ASU No. 2015-03 effective January 1, 2016 and present all debt issuance costs, other than issuance costs related to our senior unsecured credit facility, as a direct deduction from the carrying value of the debt liability. Adoption of this standard was applied retrospectively for all periods presented, affecting only the presentation of our balance sheet. The adoption of ASU 2015-03 did not have a material impact on our financial position and had no impact on our results of operations or cash flows.

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In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, which changes the way reporting enterprises evaluate the consolidation of limited partnerships, variable interests and similar entities. We adopted ASU No. 2015-02 effective January 1, 2016 and concluded that our operating partnership now meets the criteria of a variable interest entity. The Company is the primary beneficiary and, accordingly, we continue to consolidate our operating partnership. The Company's sole significant asset is its investment in its operating partnership, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of its operating partnership. In addition, all of the Company's debt is an obligation of its operating partnership.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which affects virtually all aspects of an entity's revenue recognition. The new standard sets forth five prescribed steps to determine the timing and amount of revenue to be recognized to appropriately depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effectiveness of ASU No. 2014-09 to reporting periods beginning after December 15, 2017 and permitted early application for annual reporting periods beginning after December 15, 2016. We do not believe ASU 2014-09 will have a material impact on the our consolidated financial statements and related disclosures.

### 3. Property and Equipment

Property and equipment as of June 30, 2016 and December 31, 2015 consists of the following (in thousands):

	June 30, 2016	December 31, 2015
Land	\$ 553,769	\$ 578,338
Land improvements	7,994	7,994
Buildings	2,330,974	2,538,719
Furniture, fixtures and equipment	417,222	458,577
CIP	19,191	25,016
	3,329,150	3,608,644
Less: accumulated depreciation	(687,852)	(726,468)
	\$ 2,641,298	\$ 2,882,176

As of June 30, 2016, we had accrued capital expenditures of \$6.2 million. As of December 31, 2015, we had accrued capital expenditures of \$11.6 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 of \$2.2 million and \$2.6 million as of June 30, 2016 and December 31, 2015, respectively, consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Westin Boston Waterfront Hotel Ground Lease	\$ 17,968	\$ 18,076
Hilton Minneapolis Ground Lease	—	5,685
Lexington Hotel New York Tenant Leases	170	186
Hilton Boston Downtown Tenant Leases	—	8
	\$ 18,138	\$ 23,955

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. We recorded \$0.1 million of amortization expense for each of the three months ended June 30, 2016 and 2015. We recorded \$0.2 million and \$0.3 million, respectively, of amortization expense for each of the six months ended June 30, 2016 and 2015.

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On June 30, 2016, we sold the Hilton Minneapolis. In connection with the sale, we wrote off the favorable ground lease asset, which is included in the gain on sale of hotel properties on the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2016.

### 5. Capital Stock

#### *Common Shares*

We are authorized to issue up to 400 million shares of common stock, \$0.01 par value per share. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Holders of our common stock are entitled to receive dividends out of assets legally available for the payment of dividends when authorized by our board of directors.

We have an “at-the-market” equity offering program (the “ATM program”), pursuant to which we may issue and sell shares of our common stock from time to time, having an aggregate offering price of up to \$200 million. We have not sold any shares in 2016 and there is \$128.3 million remaining under the ATM program.

Our board of directors approved a share repurchase program in November 2015 authorizing us to repurchase up to \$150 million in shares of our common stock. Repurchases under this program will be made in open market or privately negotiated transactions as permitted by federal securities laws and other legal requirements. This authority may be exercised from time to time and in such amounts as market conditions warrant, and subject to regulatory considerations. The timing, manner, price and actual number of shares repurchased will depend on a variety of factors including stock price, corporate and regulatory requirements, market conditions, and other corporate liquidity requirements and priorities. The share repurchase program may be suspended or terminated at any time without prior notice. We have not repurchased any shares of our common stock since the program started.

We have paid the following dividends to holders of our common stock during 2016 as follows:

<b>Payment Date</b>	<b>Record Date</b>	<b>Dividend per Share</b>
January 12, 2016	December 31, 2015	\$ 0.1250
April 12, 2016	March 31, 2016	\$ 0.1250
July 12, 2016	June 30, 2016	\$ 0.1250

#### *Preferred Shares*

We are authorized to issue up to 10 million shares of preferred stock, \$0.01 par value per share. Our board of directors is required to set for each class or series of preferred stock the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption. As of June 30, 2016 and December 31, 2015, there were no shares of preferred stock outstanding.

#### *Operating Partnership Units*

Holders of operating partnership units have certain redemption rights, which would 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 30, 2016 and December 31, 2015, there were no operating partnership units held by unaffiliated third parties.

### 6. Stock Incentive Plans

On February 17, 2016, our board of directors adopted the 2016 Equity Incentive Plan (the “2016 Plan”). The 2016 Plan was approved by our stockholders on May 3, 2016 and replaced the 2004 Stock Option and Incentive Plan (the “2004 Plan”), which was scheduled to expire on April 26, 2017. We will no longer make share grants and issuances under the 2004 Plan, although awards previously made under the 2004 Plan that are outstanding will remain in effect in accordance with the terms of that plan and the applicable award agreements. Under the 2016 Plan, we are authorized to issue up to 6,082,664 shares of our common stock. We have issued or committed to issue 53,574 shares under the 2016 Plan as of June 30, 2016.

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On May 11, 2016, we issued (i) 44,645 shares of fully vested common stock and (ii) 8,929 fully vested deferred stock units to our board of directors having an aggregate value of \$510,000, 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, 2016 to June 30, 2016 is as follows:

	<b>Number of Shares</b>	<b>Weighted- Average Grant Date Fair Value</b>
Unvested balance at January 1, 2016	474,567	\$ 12.72
Granted	451,739	8.91
Vested	(241,698)	11.83
Unvested balance at June 30, 2016	<u>684,608</u>	<u>\$ 10.52</u>

The remaining share awards are expected to vest as follows: 296,674 shares during 2017, 222,387 shares during 2018, 143,099 shares during 2019, and 22,448 during 2020. As of June 30, 2016, the unrecognized compensation cost related to restricted stock awards was \$6.1 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 27 months. We recorded \$0.8 million and \$0.7 million, respectively, of compensation expenses related to restricted stock awards for the three months ended June 30, 2016 and 2015. We recorded \$1.6 million and \$1.4 million, respectively, of compensation expenses related to restricted stock awards for the six months ended June 30, 2016 and 2015.

### *Performance Stock Units*

Performance stock units (“PSUs”) are restricted stock units that vest three years from the date of grant. Each executive officer is granted a target number of PSUs (the “PSU Target Award”). For the PSUs issued in 2014 and 2015 and vesting in 2017 and 2018, respectively, the actual number of shares of common stock issued to each executive officer is subject to the achievement of certain levels of total stockholder return relative to the total stockholder return of a peer group of publicly traded lodging REITs over a three-year performance period. There will be no payout of shares of our common stock if our total stockholder return falls below the 30th percentile of the total stockholder returns of the peer group. For the PSUs issued in 2016 and vesting in 2019, the calculation of total stockholder return relative to the total stockholder return of a peer group over a three-year performance period remained in effect for 75% of the number of PSUs to be earned in the performance period. The remaining 25% is determined based on achieving improvement in market share for each of our hotels over the three-year performance period. The maximum number of shares of common stock issued to an executive officer is equal to 150% of the PSU Target Award and is earned if our total stockholder return is equal to or greater than the 75th percentile of the total stockholder returns of the peer group.

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

On February 26, 2016, our board of directors granted 310,398 PSUs to our executive officers. The grant date fair value of the portion of the PSUs based on our relative total stockholder return was \$8.42 using the assumptions of volatility of 24.3% and a risk-free rate of 0.93%. The grant date fair value of the portion of the PSUs based on hotel market share \$8.91.

A summary of our PSUs from January 1, 2016 to June 30, 2016 is as follows:

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	Number of Target Units	Weighted- Average Grant Date Fair Value
Unvested balance at January 1, 2016	676,359	\$ 11.41
Granted	310,398	8.54
Additional units from dividends	19,296	9.27
Vested (1)	(242,096)	9.85
Unvested balance at June 30, 2016	<u>763,957</u>	<u>\$ 10.69</u>

(1) The number of shares of common stock earned for the PSUs vested in 2016 was equal to 89.5% of the PSU Target Award.

The remaining target units are expected to vest as follows: 218,671 units during 2017, 230,812 units during 2018 and 314,474 units during 2019. The number of shares earned upon vesting is subject to the attainment of the performance goals described above. As of June 30, 2016, the unrecognized compensation cost related to the PSUs was \$4.4 million and is expected to be recognized on a straight-line basis over a weighted average period of 25 months. We recorded \$0.6 million of compensation expense related to the PSUs for each of the three months ended June 30, 2016 and 2015. We recorded \$1.3 million and \$1.1 million of compensation expense related to the PSUs for the six months ended June 30, 2016 and 2015, respectively.

**7. Earnings Per Share**

Basic earnings per share is calculated by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per share is calculated by dividing net income 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 per share (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Numerator:</b>				
Net income	\$ 44,175	\$ 24,822	\$ 60,953	\$ 35,464
<b>Denominator:</b>				
Weighted-average number of common shares outstanding—basic	201,273,767	200,830,064	201,133,321	200,738,301
Effect of dilutive securities:				
Unvested restricted common stock	—	80,538	81,513	143,882
Unexercised stock appreciation rights	—	1,425	—	2,212
Shares related to unvested PSUs	553,617	230,720	553,617	230,720
Weighted-average number of common shares outstanding—diluted	<u>201,827,384</u>	<u>201,142,747</u>	<u>201,768,451</u>	<u>201,115,115</u>
<b>Earnings per share:</b>				
Basic earnings per share	\$ 0.22	\$ 0.12	\$ 0.30	\$ 0.18
Diluted earnings per share	<u>\$ 0.22</u>	<u>\$ 0.12</u>	<u>\$ 0.30</u>	<u>\$ 0.18</u>

We did not include unexercised stock appreciation rights of 20,770 for the three and six months ended June 30, 2016 as they would be anti-dilutive. We did not include the effect of unvested restricted common stock in the calculation of the diluted weighted-average number of common shares outstanding for the three months ended June 30, 2016 as it would be anti-dilutive.

**8. Debt**

The following table sets forth information regarding the Company's debt as of June 30, 2016 (dollars in thousands):

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Property	Principal Balance	Interest Rate	Maturity Date
Lexington Hotel New York	\$ 170,368	LIBOR + 2.25% (1)	October 2017 (2)
Salt Lake City Marriott Downtown	59,234	4.25%	November 2020
Westin Washington D.C. City Center	67,822	3.99%	January 2023
The Lodge at Sonoma, a Renaissance Resort & Spa	29,242	3.96%	April 2023
Westin San Diego	66,959	3.94%	April 2023
Courtyard Manhattan / Midtown East	86,000	4.40%	August 2024
Renaissance Worthington	85,000	3.66%	May 2025
JW Marriott Denver at Cherry Creek	65,000	4.33%	July 2025
Boston Westin	203,115	4.36%	November 2025
Unamortized debt issuance costs	(6,745)		
Total mortgage debt, net of unamortized debt issuance costs	825,995		
Senior unsecured term loan	100,000	LIBOR + 1.45% (3)	May 2021
Unamortized debt issuance costs	(701)		
Senior unsecured term loan, net of unamortized debt issuance costs	99,299		
Senior unsecured credit facility	—	LIBOR + 1.50% (4)	May 2020 (5)
Total debt, net of unamortized debt issuance costs	\$ 925,294		
Weighted-Average Interest Rate		3.71%	

(1) The interest rate as of June 30, 2016 was 2.71%.

(2) The loan may be extended for two additional one-year terms subject to the satisfaction of certain conditions, including a debt yield based on trailing 12-month hotel cash flows equal to or greater than 13% at the time the first extension option is exercised, and the payment of an extension fee. As of June 30, 2016, the debt yield was approximately 6.4%.

(3) The interest rate as of June 30, 2016 was 1.90%.

(4) The interest rate as of June 30, 2016 was 1.97%.

(5) The credit facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions.

**Mortgage Debt**

We have incurred limited recourse, property specific mortgage debt secured by certain of our hotels. In the event of default, the lender may only foreclose on the secured assets; however, in the event of fraud, misapplication of funds or other customary recourse provisions, the lender may seek payment from us. As of June 30, 2016, nine of our 27 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 30, 2016, we were in compliance with the financial covenants of our mortgage debt.

On January 11, 2016, we repaid the mortgage loan secured by the Chicago Marriott Downtown Magnificent Mile. The loan had an outstanding principal balance of \$201.7 million with interest at a fixed rate of 5.98%.

On May 11, 2016, we repaid the mortgage loan secured by the Courtyard Manhattan Fifth Avenue. The loan had an outstanding principal balance of \$48.1 million with interest at a fixed rate of 6.48%.

On June 30, 2016, in connection with the sale of the Hilton Minneapolis, the buyer assumed \$89.5 million of mortgage debt secured by the hotel.

**Senior Unsecured Credit Facility**

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We are party to a senior unsecured credit facility. On May 3, 2016, we amended and restated the facility to increase the capacity from \$200 million to \$300 million, decrease the pricing and extend the maturity date to May 2020. The maturity date may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions. The new facility also includes an accordion feature to expand up to \$600 million, subject to lender consent. The interest rate on the new facility is based upon LIBOR, plus an applicable margin.

The applicable margin is based upon the the Company's leverage ratio, as follows:

<b>Leverage Ratio</b>	<b>Applicable Margin</b>
Less than or equal to 35%	1.50%
Greater than 35% but less than or equal to 45%	1.65%
Greater than 45% but less than or equal to 50%	1.80%
Greater than 50% but less than or equal to 55%	2.00%
Greater than 55%	2.25%

In addition to the interest payable on amounts outstanding under the facility, we were required to pay an amount equal to (x) 0.20% of the unused portion of the facility if the average usage of the facility was greater than 50% or (y) 0.30% of the unused portion of the facility if the average usage of the facility was less than or equal to 50%.

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

	<b>Covenant</b>	<b>Actual at June 30, 2016</b>
Maximum leverage ratio (1)	60%	23.9%
Minimum fixed charge coverage ratio (2)	1.50x	4.09x
Minimum tangible net worth (3)	\$1.91 billion	\$2.52 billion
Secured recourse indebtedness	Less than 45% of Total Asset Value	27.1%

- (1) Leverage ratio is net indebtedness, as defined in the credit agreement, divided by total asset value, defined in the credit agreement as the value of our owned hotels based on hotel net operating income divided by a defined capitalization rate.
- (2) Fixed charge coverage ratio is Adjusted EBITDA, generally defined in the credit agreement as EBITDA less FF&E reserves, for the most recently ending 12 months, to fixed charges, which is 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-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) 75% of net proceeds from future equity issuances.

As of June 30, 2016, we had no borrowings outstanding under the facility and the Company's leverage ratio was 23.9%. Accordingly, interest on our borrowings under the facility, if any, will be based on LIBOR plus 150 basis points for the following quarter. We incurred interest and unused credit facility fees on the facility of \$0.4 million and \$0.2 million for the three months ended June 30, 2016 and 2015, respectively. We incurred interest and unused credit facility fees on the facility of \$0.8 million and \$0.4 million for the six months ended June 30, 2016 and 2015, respectively.

### **Senior Unsecured Term Loan**

On May 3, 2016, we closed on a new five-year \$100 million senior unsecured term loan. The interest rate on the term loan is based on a pricing grid ranging from 145 to 220 basis points over LIBOR, based on the Company's leverage ratio. The financial covenants of the term loan are identical to the covenants on our senior unsecured credit facility, which are described above. The total proceeds from the term loan were used to repay a portion of the \$75 million in borrowings then outstanding under our senior unsecured credit facility and to repay the \$48.1 million mortgage loan secured by the Courtyard Manhattan Fifth Avenue. The mortgage secured by the Courtyard Manhattan Fifth Avenue was added as security to the term loan. The mortgage can be removed as security for the term loan at the Company's discretion.

The applicable margin is based upon the the Company's leverage ratio, as follows:

Leverage Ratio	Applicable Margin
Less than or equal to 35%	1.45%
Greater than 35% but less than or equal to 45%	1.60%
Greater than 45% but less than or equal to 50%	1.75%
Greater than 50% but less than or equal to 55%	1.95%
Greater than 55%	2.20%

As of June 30, 2016, the Company's leverage ratio was 23.9%. Accordingly, interest on our borrowings under the term loan will be based on LIBOR plus 145 basis points for the following quarter. We incurred interest on the facility of \$0.3 million for the three and six months ended June 30, 2016.

## 9. Dispositions

On June 8, 2016, we sold the 485-room Orlando Airport Marriott to an unaffiliated third party for a contractual sales price of \$63 million. We received net proceeds of approximately \$65.5 million from the transaction, which included credit for the hotel's capital replacement reserve. We recognized a pre-tax gain on sale of the hotel of approximately \$3.4 million.

On June 30, 2016, we sold the 821-room Hilton Minneapolis to an unaffiliated third party for a contractual sales price of \$140 million. The buyer assumed the \$89.5 million mortgage loan secured by the hotel. We received net proceeds of approximately \$54.6 million from the transaction, which included credit for the hotel's working capital. We recognized a pre-tax gain on sale of the hotel of approximately \$4.7 million.

Our condensed consolidated statements of operations include the following pre-tax income (loss) from the hotel properties sold during the six months ended June 30, 2016 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Orlando Airport Marriott	\$ 4,692	\$ 110	\$ 7,924	\$ 2,256
Hilton Minneapolis	6,962	687	4,666	(2,047)
Total pre-tax income	\$ 11,654	\$ 797	\$ 12,590	\$ 209

Prior to June 30, 2016, we entered into an agreement to sell the Hilton Garden Inn Chelsea/New York City to an unaffiliated third party for a contractual sales price of \$65 million. The hotel has been reclassified as held for sale in the condensed consolidated balance sheet as of June 30, 2016. The transaction closed on July 7, 2016.

The significant components of assets held for sale and liabilities of assets held for sale at June 30, 2016 consist of the following (in thousands):

Property and equipment	\$ 69,994
Less: accumulated depreciation	(10,251)
	59,743
Due from hotel manager	1,726
Prepaid and other assets	566
Total assets held for sale	\$ 62,035
Due to hotel manager	1,137
Total liabilities of assets held for sale	\$ 1,137

## 10. Fair Value of Financial Instruments

The fair value of certain financial assets and liabilities and other financial instruments as of June 30, 2016 and December 31, 2015, in thousands, is as follows:



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	June 30, 2016		December 31, 2015	
	Carrying Amount (1)	Fair Value	Carrying Amount (1)	Fair Value
Debt	\$ 925,294	\$ 927,940	\$ 1,169,749	\$ 1,152,351

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

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 carrying value of our other financial instruments approximate fair value due to the short-term nature of these financial instruments.

## 11. Commitments and Contingencies

### *Litigation*

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

### *Other Matters*

During the quarter ended March 31, 2016, the Company was notified by the franchisor of one of its hotels that as a result of low guest satisfaction scores, the Company is in default under the franchise agreement for that hotel. The Company is proactively working with the franchisor and the manager of the hotel to develop and execute a plan to improve the guest satisfaction scores. While the franchisor has reserved all of its rights under the franchise agreement, including the right to terminate the franchise agreement in the future, no action to terminate the franchise agreement has been taken by the franchisor. In addition, the lender that holds the mortgage on this hotel received notice of the foregoing. The lender has provided written notice to the Company that although it has the right to call an event of default under the loan agreement after a notice and cure period has elapsed, the lender is not doing so but reserves all of its rights under the loan agreement. While the Company is working diligently with the franchisor and manager to develop an action plan to resolve the matter, no assurance can be given that the Company will be successful. If the Company is not successful, the franchisor may seek to terminate the franchise agreement and the lender may seek to declare an event of default under the loan agreement, which could result in a material adverse effect on the Company's business, financial condition or results of operation.

## **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, 2015 as updated by our Quarterly Reports on Form 10-Q. 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 30, 2016, we owned a portfolio of 27 premium hotels and resorts that contain 9,630 guest rooms located in 17 different markets in North America and the U.S. Virgin Islands. 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 a highly professional public lodging REIT that delivers long-term returns for our stockholders which exceed long-term returns generated by our peers. Our goal is to deliver long-term stockholder returns through a combination of dividends and enduring capital appreciation. Our strategy is to utilize disciplined capital allocation, focus on high quality lodging properties in North American markets with superior growth prospects and high barriers-to-entry, aggressively asset manage those hotels, and employ conservative amounts of leverage.

Our primary business is to acquire, own, asset manage and renovate full-service hotel properties in the United States. Our portfolio is concentrated in key gateway cities and destination resort locations. Each of our hotels is managed by a third party and a substantial number of our hotels are operated under a brand owned by one of the leading global lodging brand companies, including Marriott International, Inc., Starwood Hotels & Resorts Worldwide, Inc. and Hilton Worldwide.

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

### **Key Indicators of Financial Condition and Operating Performance**

We use a variety of operating and other information to evaluate the financial condition and operating performance of our business. These key indicators include financial information that is prepared in accordance with U.S. 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

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- 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 71% of our total revenues for the six months ended June 30, 2016 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 Measures.”

### **Our Hotels**

The following table sets forth certain operating information for the six months ended June 30, 2016 for each of our hotels.

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Property	Location	Number of Rooms	Occupancy (%)	ADR(\$)	RevPAR(\$)	% Change from 2015 RevPAR (1)
Chicago Marriott Downtown	Chicago, Illinois	1,200	61.8%	\$ 217.00	\$ 134.20	(11.8)%
Hilton Minneapolis (2)	Minneapolis, Minnesota	821	69.8%	149.38	104.32	(2.1)%
Westin Boston Waterfront Hotel	Boston, Massachusetts	793	79.2%	236.15	186.97	3.0 %
Lexington Hotel New York	New York, New York	725	88.1%	219.60	193.42	(6.5)%
Salt Lake City Marriott Downtown	Salt Lake City, Utah	510	69.8%	158.77	110.79	(3.6)%
Renaissance Worthington	Fort Worth, Texas	504	71.2%	183.79	130.88	(2.5)%
Frenchman's Reef & Morning Star Marriott Beach Resort	St. Thomas, U.S. Virgin Islands	502	87.5%	285.65	250.05	(1.7)%
Orlando Airport Marriott (3)	Orlando, Florida	485	86.8%	129.43	112.29	3.2 %
Westin San Diego	San Diego, California	436	84.1%	187.57	157.72	0.7 %
Westin Fort Lauderdale Beach Resort	Fort Lauderdale, Florida	432	95.6%	222.00	212.23	15.7 %
Westin Washington, D.C. City Center	Washington, D.C.	410	85.7%	235.06	201.41	7.3 %
Hilton Boston Downtown	Boston, Massachusetts	403	85.3%	262.60	224.09	4.9 %
Vail Marriott Mountain Resort & Spa	Vail, Colorado	344	71.6%	317.45	227.15	3.0 %
Marriott Atlanta Alpharetta	Atlanta, Georgia	318	73.3%	177.54	130.08	7.8 %
Courtyard Manhattan/Midtown East	New York, New York	321	90.2%	240.70	217.20	(2.9)%
The Gwen Chicago	Chicago, Illinois	300	70.7%	199.94	141.32	(9.9)%
Hilton Garden Inn Times Square Central	New York, New York	282	95.6%	221.61	211.80	(4.6)%
Bethesda Marriott Suites	Bethesda, Maryland	272	72.6%	173.45	125.94	5.9 %
Hilton Burlington	Burlington, Vermont	258	76.5%	155.50	118.98	7.8 %
JW Marriott Denver at Cherry Creek	Denver, Colorado	196	79.2%	267.08	211.54	0.5 %
Courtyard Manhattan/Fifth Avenue	New York, New York	189	85.3%	240.81	205.39	(7.5)%
Sheraton Suites Key West	Key West, Florida	184	93.1%	278.09	259.04	(2.0)%
The Lodge at Sonoma, a Renaissance Resort & Spa	Sonoma, California	182	78.0%	271.24	211.57	5.3 %
Courtyard Denver Downtown	Denver, Colorado	177	80.2%	199.18	159.68	1.9 %
Hilton Garden Inn Chelsea/New York City	New York, New York	169	98.0%	203.43	199.35	4.9 %
Renaissance Charleston	Charleston, South Carolina	166	90.2%	229.83	207.31	0.5 %
Shorebreak Hotel	Huntington Beach, California	157	79.1%	218.53	172.92	(0.6)%
Inn at Key West	Key West, Florida	106	91.1%	227.04	206.82	(9.5)%
Hotel Rex	San Francisco, California	94	83.4%	239.01	199.43	4.5 %
TOTAL/WEIGHTED AVERAGE (1)		10,936	79.2%	\$ 214.82	\$ 170.05	(0.6)%

(1) The percentage change from 2015 RevPAR reflects the comparable period in 2015 to our 2016 ownership period for our 2015 acquisitions (Shorebreak Hotel and Sheraton Suites Key West) and our 2016 dispositions (Orlando Airport Marriott and Hilton Minneapolis).

(2) The hotel was sold on June 30, 2016. The operating statistics reflect the period from January 1, 2016 to June 29, 2016.

(3) The hotel was sold on June 8, 2016. The operating statistics reflect the period from January 1, 2016 to June 7, 2016.

## Highlights and Recent Developments

**Mortgage Loan Repayments.** On January 11, 2016, we repaid the \$201.7 million mortgage loan secured by the Chicago Marriott Downtown. On May 11, 2016, we repaid the \$48.1 million mortgage loan secured by the Courtyard Manhattan Fifth Avenue.

**Amended Credit Facility and New Term Loan.** On May 3, 2016, we amended and restated our senior unsecured credit facility to increase the capacity to \$300 million, decrease the pricing and extend the maturity date to May 2020. Also on May 3, 2016, we closed on a new five-year \$100 million senior unsecured term loan.

**Hotel Dispositions.** In June 2016, we sold the 485-room Orlando Airport Marriott for a contractual sales price of \$63 million and the Hilton Minneapolis for a contractual sales price of \$140 million. In July 2016, we sold the 169-room Hilton Garden Inn Chelsea/New York City for a contractual sales price of \$65 million.

**Results of Operations**

*Comparison of the Three Months Ended June 30, 2016 to the Three Months Ended June 30, 2015*

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

	<b>Three Months Ended June 30,</b>		<b>% Change</b>
	<b>2016</b>	<b>2015</b>	
Rooms	\$ 186.1	\$ 181.5	2.5%
Food and beverage	57.4	56.1	2.3%
Other	13.2	12.2	8.2%
<b>Total revenues</b>	<b>\$ 256.7</b>	<b>\$ 249.8</b>	<b>2.8%</b>

Our total revenues increased \$6.9 million from \$249.8 million for the three months ended June 30, 2015 to \$256.7 million for the three months ended June 30, 2016. This increase includes amounts that are not comparable quarter-over-quarter as follows:

- \$4.6 million increase from the Sheraton Suites Key West, which was purchased on June 30, 2015.
- \$1.5 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- \$0.2 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.

Excluding these non-comparable amounts our total revenues increased \$4.0 million, or 1.6%.

The following are key hotel operating statistics for the three months ended June 30, 2016 and 2015. The 2015 amounts reflect the period in 2015 comparable to our ownership period in 2016 for our acquisition of the Sheraton Suites Key West, and our dispositions of the Orlando Airport Marriott and the Hilton Minneapolis.

	<b>Three Months Ended June 30,</b>		<b>% Change</b>
	<b>2016</b>	<b>2015</b>	
Occupancy %	84.9%	84.2%	0.7 percentage points
ADR	\$ 223.35	\$ 223.45	— %
RevPAR	\$ 189.71	\$ 188.05	0.9 %

The increase in room revenue is a result of a 40.5% increase in the contract segment and a 0.9% increase in the business transient segment, partially offset by a 2.0% decrease in the leisure transient segment and a 1.1% decrease in group business. The increase in room revenue is primarily attributable to our two hotels in Boston and the Westin Fort Lauderdale Beach Resort, partially offset by declines at our two hotels in Chicago and our hotels in New York City. Both the Chicago and New York City markets faced weak lodging fundamentals. Our results in Chicago were also impacted by renovations at the Chicago Marriott and The Gwen, as well as the brand conversion of the The Gwen in September 2015.

Food and beverage revenues increased \$1.3 million from the three months ended June 30, 2015, which includes amounts that are not comparable quarter-over-quarter as follows:

- \$0.5 million increase from the Sheraton Suites Key West, which was purchased on June 30, 2015.
- \$0.5 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- \$0.1 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.

Excluding these non-comparable amounts, food and beverage revenues increased \$1.4 million, or 2.5%, primarily driven by an increase in banquet revenue.

Other revenues, which primarily represent spa, parking, resort fees and attrition and cancellation fees, increased by \$1.0 million driven primarily by resort fees and attrition and cancellation fees.

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

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	Three Months Ended June 30,		% Change (B)/W
	2016	2015	
Rooms departmental expenses	\$ 43.3	\$ 42.0	3.1 %
Food and beverage departmental expenses	35.3	35.4	(0.3)
Other departmental expenses	3.1	4.2	(26.2)
General and administrative	20.6	18.6	10.8
Utilities	6.5	6.5	—
Repairs and maintenance	9.2	8.9	3.4
Sales and marketing	16.9	16.9	—
Franchise fees	5.7	5.2	9.6
Base management fees	6.3	6.3	—
Incentive management fees	2.5	2.6	(3.8)
Property taxes	10.7	10.7	—
Other fixed charges	3.0	2.7	11.1
Ground rent—Contractual	2.4	2.4	—
Ground rent—Non-cash	1.3	1.4	(7.1)
<b>Total hotel operating expenses</b>	<b>\$ 166.8</b>	<b>\$ 163.8</b>	<b>1.8 %</b>

Our hotel operating expenses increased \$3.0 million from \$163.8 million for the three months ended June 30, 2015 to \$166.8 million for the three months ended June 30, 2016. The increase in hotel operating expenses includes amounts that are not comparable quarter-over-quarter as follows:

- \$2.6 million increase from the Sheraton Suites Key West, which was purchased on June 30, 2015.
- \$1.2 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- \$0.1 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.

Excluding the non-comparable amounts, hotel operating expenses increased \$1.7 million, or 1.0%, from the three months ended June 30, 2015.

*Depreciation and amortization.* Depreciation and amortization is recorded on our hotel buildings over 40 years for the periods subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense decreased \$0.6 million, or 2.2%, from the three months ended June 30, 2015.

*Impairment losses.* We recorded an impairment loss of \$9.7 million for the three months ended June 30, 2015 primarily related to our decision not to exercise our option to acquire a leasehold interest in a parcel of land adjacent to the Westin Boston Waterfront Hotel for the development of a new hotel.

*Hotel acquisition costs.* We incurred \$0.3 million of hotel acquisition costs during the three months ended June 30, 2015 associated with the acquisition of the Sheraton Suites Key West.

*Corporate expenses.* 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. Our corporate expenses increased \$0.4 million, from \$6.3 million for the three months ended June 30, 2015 to \$6.7 million for the three months ended June 30, 2016. The increase is due primarily to employee-related costs and legal fees.

*Interest expense.* Our interest expense was \$11.1 million and \$12.8 million for the three months ended June 30, 2016 and 2015, respectively, and comprises the following (in millions):

	<b>Three Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Mortgage debt interest	\$ 9.7	\$ 12.0
Term loan interest	0.3	—
Credit facility interest and unused fees	0.4	0.2
Amortization of deferred financing costs and debt premium	0.6	0.5
Interest rate cap fair value adjustment	0.1	0.1
	<u>\$ 11.1</u>	<u>\$ 12.8</u>

The decrease in mortgage debt interest expense is primarily related to refinancing a portion of our total debt at lower interest rates. The weighted-average interest rate for our debt decreased from 4.43% as of June 30, 2015 to 3.71% as of June 30, 2016.

*Income taxes.* We recorded an income tax expense of \$11.0 million for the three months ended June 30, 2016 and \$6.7 million for the three months ended June 30, 2015. The income tax expense for the three months ended June 30, 2016 includes \$10.8 million of income tax expense on the \$26.3 million pre-tax income of our taxable REIT subsidiary, or TRS, \$0.1 million of foreign income tax expense incurred on the \$2.0 million pre-tax income of the TRS that owns Frenchman's Reef and \$0.1 million of state franchise taxes. The income tax expense for the three months ended June 30, 2015 includes \$6.5 million of income tax expense incurred on the \$16.0 million pre-tax income of our TRS, \$0.1 million of foreign income tax expense, net, incurred on the \$2.2 million pre-tax income of the TRS that owns Frenchman's Reef, and \$0.1 million of state franchise taxes.

Frenchman's Reef is owned by a subsidiary that has elected to be treated as a TRS and is subject to U.S. Virgin Island (USVI) income taxes. We were party to a tax agreement with the USVI that reduced the income tax rate to approximately 7%. The agreement expired on February 14, 2015. The income tax expense related to the TRS that owns Frenchman's Reef reflects the statutory rate of 37.4% from April 1, 2015 through June 30, 2015. In October 2015, we were granted a 15-year extension of the tax agreement, which is retroactive to the expiration date of the prior agreement.

*Comparison of the Six Months Ended June 30, 2016 to the Six Months Ended June 30, 2015*

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

	<b>Six Months Ended June 30,</b>		<b>% Change</b>
	<b>2016</b>	<b>2015</b>	
Rooms	\$ 335.5	\$ 326.2	2.9 %
Food and beverage	107.8	108.4	(0.6)%
Other	26.4	24.1	9.5 %
Total revenues	<u>\$ 469.7</u>	<u>\$ 458.7</u>	<u>2.4 %</u>

Our total revenues increased \$11.0 million from \$458.7 million for the six months ended June 30, 2015 to \$469.7 million for the six months ended June 30, 2016. This increase includes amounts that are not comparable period-over-period as follows:

- \$1.3 million increase from the Shorebreak Hotel, which was purchased on February 6, 2015.
- \$10.6 million increase from the Sheraton Suites Key West, which was purchased on June 30, 2015.
- \$1.5 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- \$0.2 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.

Excluding these non-comparable amounts our total revenues increased \$0.8 million, or 0.2%.

The following are key hotel operating statistics for the six months ended June 30, 2016 and 2015. The 2015 amounts reflect the period in 2015 comparable to our ownership period in 2016 for our acquisitions of the Shorebreak Hotel and the Sheraton Suites Key West, and our dispositions of the Orlando Airport Marriott and the Hilton Minneapolis.

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	Six Months Ended June 30,		% Change
	2016	2015	
Occupancy %	79.2%	80.3%	(1.1) percentage points
ADR	\$ 214.82	\$ 212.97	0.9 %
RevPAR	\$ 170.05	\$ 171.00	(0.6)%

Room revenue from the group segment decreased 4.1%, partially offset by a 38.7% increase in contract business and a 0.3% increase in the business transient segment. The decrease in room revenue is primarily attributable to our two hotels in Chicago and our hotels in New York City. Both markets faced weak lodging fundamentals. Our results in Chicago were also impacted by renovations at the Chicago Marriott and The Gwen, as well as the brand conversion of the The Gwen in September 2015.

Food and beverage revenues decreased \$0.6 million from the three months ended June 30, 2015, which includes amounts that are not comparable period-over-period as follows:

- \$0.3 million increase from the Shorebreak Hotel, which was purchased on February 6, 2015.
- \$1.1 million increase from the Sheraton Suites Key West, which was purchased on June 30, 2015.
- \$0.5 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- \$0.1 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.

Excluding these non-comparable amounts, food and beverage revenues decreased \$1.4 million, or 1.3%.

Other revenues, which primarily represent spa, parking, resort fees and attrition and cancellation fees, increased by \$2.3 million. The primary driver was an increase in resort fees.

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

	Six Months Ended June 30,		% Change
	2016	2015	
Rooms departmental expenses	\$ 82.0	\$ 80.5	1.9 %
Food and beverage departmental expenses	68.6	70.9	(3.2)
Other departmental expenses	6.2	8.6	(27.9)
General and administrative	40.3	36.1	11.6
Utilities	13.3	13.7	(2.9)
Repairs and maintenance	18.5	18.0	2.8
Sales and marketing	32.6	32.0	1.9
Franchise fees	11.0	10.0	10.0
Base management fees	11.6	11.4	1.8
Incentive management fees	3.8	3.7	2.7
Property taxes	22.9	21.8	5.0
Other fixed charges	6.1	5.7	7.0
Hotel pre-opening costs	—	0.5	(100.0)
Ground rent—Contractual	4.9	4.7	4.3
Ground rent—Non-cash	2.6	2.9	(10.3)
Total hotel operating expenses	\$ 324.4	\$ 320.5	1.2 %

Our hotel operating expenses increased \$3.9 million from \$320.5 million for the six months ended June 30, 2015 to \$324.4 million for the six months ended June 30, 2016. The increase in hotel operating expenses includes amounts that are not comparable quarter-over-quarter as follows:

- \$1.0 million increase from the Shorebreak Hotel, which was purchased on February 6, 2015.
- \$5.5 million increase from the Sheraton Suites Key West, which was purchased on June 30, 2015.
- \$1.2 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- \$0.1 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.



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Excluding the non-comparable amounts, hotel operating expenses decreased \$1.3 million, or 0.4%, from the six months ended June 30, 2015.

*Depreciation and amortization.* Depreciation and amortization is recorded on our hotel buildings over 40 years for the periods subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense increased \$0.2 million from the six months ended June 30, 2015.

*Impairment losses.* We recorded an impairment loss of \$0.8 million for the six months ended June 30, 2015 on the favorable lease asset related to a tenant lease at the Lexington Hotel New York. We also recorded an impairment loss of \$9.7 million for the six months ended June 30, 2015 primarily related to our decision not to exercise our option to acquire a leasehold interest in a parcel of land adjacent to the Westin Boston Waterfront Hotel for the development of a new hotel.

*Hotel acquisition costs.* We incurred \$0.5 million of hotel acquisition costs during the six months ended June 30, 2015 associated with the acquisitions of the Shorebreak Hotel and the Sheraton Suites Key West.

*Corporate expenses.* 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. Our corporate expenses increased \$1.0 million, from \$11.7 million for the six months ended June 30, 2015 to \$12.7 million for the six months ended June 30, 2016. The increase is due primarily to employee-related costs and legal fees.

*Interest expense.* Our interest expense was \$22.7 million and \$26.1 million for the six months ended June 30, 2016 and 2015, respectively, and comprises the following (in millions):

	Six Months Ended June 30,	
	2016	2015
Mortgage debt interest	\$ 20.3	\$ 24.5
Term loan interest	0.3	—
Credit facility interest and unused fees	0.8	0.4
Amortization of deferred financing costs and debt premium	1.2	0.9
Interest rate cap fair value adjustment	0.1	0.3
	<u>\$ 22.7</u>	<u>\$ 26.1</u>

The decrease in mortgage debt interest expense is related to refinancing a portion of our total debt at lower interest rates. The weighted-average interest rate for our debt decreased from 4.43% as of June 30, 2015 to 3.71% as of June 30, 2016.

*Income taxes.* We recorded an income tax expense of \$7.0 million for the six months ended June 30, 2016 and \$4.4 million for the six months ended June 30, 2015. The income tax expense for the six months ended June 30, 2016 includes \$6.3 million of income tax expense on the \$15.3 million pre-tax income of our taxable REIT subsidiary, or TRS, \$0.6 million of foreign income tax expense incurred on the \$8.0 million pre-tax income of the TRS that owns Frenchman's Reef and \$0.1 million of state franchise taxes. The income tax expense for the six months ended June 30, 2015 includes \$2.4 million of income tax expense incurred on the \$5.8 million pre-tax income of our TRS, \$1.9 million of foreign income tax expense incurred on the \$6.9 million pre-tax income of the TRS that owns Frenchman's Reef, and \$0.1 million of state franchise taxes.

Frenchman's Reef is owned by a subsidiary that has elected to be treated as a TRS and is subject to U.S. Virgin Island (USVI) income taxes. We were party to a tax agreement with the USVI that reduced the income tax rate to approximately 7%. The agreement expired on February 14, 2015. The income tax expense related to the TRS that owns Frenchman's Reef reflects the statutory rate of 37.4% from February 15, 2015 through June 30, 2015. In October 2015, we were granted a 15-year extension of the tax agreement, which is retroactive to the expiration date of the prior agreement.

## **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 capital expenditures directly associated with our hotels, funding of share repurchases, if any, under our share repurchase program, debt repayments upon maturity and scheduled debt payments of interest and principal. We currently expect that our available cash flows, which are generally provided through net cash from hotel operations, existing cash balances, equity issuances, proceeds from new financings and refinancings of maturing

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debt, proceeds from property dispositions, and, if necessary, short-term borrowings under our senior unsecured credit facility, will be sufficient to meet our short-term liquidity requirements.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional hotels, renovations, and other capital expenditures that need to be made periodically to our hotels, scheduled debt payments, debt maturities 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 and/or debt securities and proceeds from property dispositions. Our ability to incur additional debt is dependent upon a number of factors, including the state of the credit markets, our degree of leverage, the value of our unencumbered assets and borrowing restrictions imposed by existing lenders. Our ability to raise capital through the issuance of additional equity and/or debt securities is also dependent on a number of factors including the current state of the capital markets, investor sentiment and intended use of proceeds. We may need to raise additional capital if we identify acquisition opportunities that meet our investment objectives and require liquidity in excess of existing cash balances. Our ability to raise funds through the issuance of equity securities depends on, among other things, general market conditions for hotel companies and REITs and market perceptions about us.

### ***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. We have a preference to maintain a significant portion of our portfolio as unencumbered assets in order to provide balance sheet flexibility. We expect that our strategy will enable us to maintain a balance sheet with an appropriate amount of debt throughout all phases of the lodging cycle. We believe that it is not prudent to increase the inherent risk of highly cyclical lodging fundamentals through the 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 structure our hotel acquisitions to be straightforward and to fit within 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 30, 2016, we had \$0.9 billion of debt outstanding with a weighted average interest rate of 3.71% and a weighted average maturity date of approximately 6.4 years. We maintain one of the most durable and lowest levered balance sheets among our lodging REIT peers. We maintain balance sheet flexibility with limited near-term debt maturities, capacity under our senior unsecured credit facility and 18 of our 27 hotels unencumbered by mortgage debt. We remain committed to our core strategy of maintaining a simple capital structure with conservative leverage.

Information about our financing activities is available in Note 8 to the accompanying condensed consolidated financial statements.

### ***Short-Term Borrowings***

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

### ***Senior Unsecured Credit Facility***

We are party to a \$300 million senior unsecured credit facility expiring in May 2020. Information about our senior unsecured credit facility is found in Note 8 to the accompanying condensed consolidated financial statements. As of June 30, 2016, we had no borrowings outstanding under our senior unsecured credit facility.

### ***Senior Unsecured Term Loan***

We are party to a \$100 million senior unsecured term loan expiring in May 2021. Information about our senior unsecured term loan is found in Note 8 to the accompanying condensed consolidated financial statements.

### **Sources and Uses of Cash**

Our principal sources of cash are net cash flow from hotel operations and borrowings under mortgage debt, term loans and our senior unsecured credit facility. Our principal uses of cash are acquisitions of hotel properties, debt service, debt maturities, capital expenditures, operating costs, corporate expenses and dividends. As of June 30, 2016, we had \$166.5 million of unrestricted

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corporate cash and \$45.6 million of restricted cash, as well as additional borrowing capacity under our senior unsecured credit facility.

Our net cash provided by operations was \$94.6 million for the six months ended June 30, 2016. Our cash from operations generally consists of the net cash flow from hotel operations offset by cash paid for corporate expenses and other working capital changes.

Our net cash provided by investing activities was \$67.7 million for the six months ended June 30, 2016, which consisted of \$118.3 million of net proceeds from the sale of the Orlando Airport Marriott and Hilton Minneapolis, the net return of \$3.5 million from lender reserves, offset by capital expenditures at our hotels of \$54.1 million.

Our net cash used in financing activities was \$209.4 million for the six months ended June 30, 2016 and consisted primarily of our \$249.8 million repayment of the mortgage debt secured by the Chicago Marriott and Courtyard Manhattan Fifth Avenue, \$50.5 million of dividend payments, \$0.7 million paid to repurchase shares upon the vesting of restricted stock for the payment of tax withholding obligations, \$2.7 million of financing costs related to our senior unsecured credit facility and term loan, and \$5.7 million of scheduled mortgage debt principal payments, partially offset by \$100.0 million of proceeds from our senior unsecured term loan.

We currently anticipate our significant sources of cash for the remainder of the year ending December 31, 2016 will be the net cash flow from hotel operations and proceeds from the sale of the Hilton Garden Inn Chelsea/New York City. We expect our estimated uses of cash for the remainder of the year ending December 31, 2016 will be potential share repurchases, regularly scheduled debt service payments, capital expenditures, dividends, and corporate expenses.

### **Dividend Policy**

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

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

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

We have paid the following dividends to holders of our common stock during 2016:

<b>Payment Date</b>	<b>Record Date</b>	<b>Dividend per Share</b>
January 12, 2016	December 31, 2015	\$ 0.1250
April 12, 2016	March 31, 2016	\$ 0.1250
July 12, 2016	June 30, 2016	\$ 0.1250

### **Capital Expenditures**

The management and franchise agreements for each of our hotels provide for the establishment of separate property improvement funds to cover, among other things, the cost of replacing and repairing furniture, fixtures and equipment at our hotels and other routine capital expenditures. Contributions to the property improvement fund are calculated as a percentage of hotel revenues. In addition, we may be required to pay for the cost of certain additional improvements that are not permitted to be funded from the property improvement fund under the applicable management or franchise agreement. As of June 30, 2016, we have set aside \$41.4 million for capital projects in property improvement funds, which are included in restricted cash.

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We spent approximately \$54.1 million on capital improvements during the six months ending June 30, 2016, primarily related to the second phase of the Chicago Marriott Downtown renovation, the first phase of the renovation of The Gwen and the Worthington Renaissance guest room renovation. As a result of the three dispositions and fewer planned renovations by the end of 2016, we are lowering our anticipated capital expenditures to \$135 million. Previously, we expected to spend approximately \$150 million on capital improvements at our hotels in 2016. Significant projects in 2016 include:

- **The Gwen, a Luxury Collection Hotel:** We rebranded the Conrad Chicago to Starwood's Luxury Collection on September 1, 2015. The renovation work associated with the brand conversion will be completed in two phases. The first phase, consisting of the lobby, rooftop bar and other public spaces, commenced in January and was completed in May 2016. The second phase of the renovation, consisting of the guest rooms, will be completed during the seasonally slow winter season beginning in late 2016.
- **Chicago Marriott Downtown:** The second and largest phase of the multi-year renovation was completed early in the second quarter of 2016. This phase included the upgrade of approximately 460 rooms and a new state-of-the-art fitness center. The remaining guest rooms are expected to be renovated during the seasonally slow winter months over the next two years.
- **The Lodge at Sonoma:** We expect to renovate the guest rooms at the hotel during the seasonally slow period during late 2016 and early 2017.
- **Charleston Renaissance:** We expect to renovate the guest rooms at the hotel commencing in the fourth quarter of 2016.
- **Worthington Renaissance:** We have commenced the guest room renovation at the hotel and expect to complete the project by the end of 2016.

### **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 U.S. 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.

#### ***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.

#### ***EBITDA and FFO***

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EBITDA represents net 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 debt agreements 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 income determined in accordance with U.S. 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 gains or losses on the sale of assets. The Company also uses FFO as one measure in assessing its operating results.

### **Adjustments to EBITDA and FFO**

We adjust EBITDA and FFO when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted EBITDA and Adjusted FFO, when combined with U.S. GAAP net income, EBITDA 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 the straight line recognition of rent from our ground lease obligations and the non-cash amortization of our favorable lease assets. We exclude these non-cash items because they do not reflect the underlying operating performance of our hotels.
- *Non-Cash Amortization of Favorable and Unfavorable Contracts:* We exclude the non-cash amortization of the favorable and unfavorable contract assets recorded in conjunction with certain acquisitions because the non-cash amortization 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 adjustments because they do not reflect the underlying performance of the Company for that period.
- *Gains or Losses from Early Extinguishment of Debt:* We exclude the effect of gains or losses recorded on the early extinguishment of debt because we believe these gains or losses do not accurately reflect the underlying performance of the Company.
- *Hotel Acquisition Costs:* We exclude hotel acquisition costs expensed during the period because we believe these costs do not reflect the underlying performance of the Company or our hotels.
- *Severance Costs:* We exclude corporate severance costs and severance costs at our hotels related to lease terminations because we believe these costs do not reflect the underlying performance of the Company or our hotels.
- *Hotel Manager Transition Costs:* We exclude the transition costs associated with a change in hotel manager because we believe these costs do not reflect the underlying performance of our hotels. During the three months ended March 31, 2015, we excluded the transition costs associated with the change of hotel managers in connection with the acquisition of the Westin Fort Lauderdale and the Shorebreak Hotel.
- *Other Items:* From time to time we incur costs or realize gains that we do not believe reflect the underlying performance of the Company or our hotels. Such items may include, but are not limited to, hotel pre-opening costs, lease preparation costs, contract termination fees, gains or losses from legal settlements, bargain purchase gains and gains from insurance proceeds.

In addition, to derive Adjusted EBITDA we exclude gains or losses on dispositions and impairment losses because we believe that including them in EBITDA does not reflect 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 to EBITDA and Adjusted EBITDA (in thousands):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Net income</b>	\$ 44,175	\$ 24,822	\$ 60,953	\$ 35,464
Interest expense	11,074	12,838	22,738	26,056
Income tax expense	11,045	6,731	6,964	4,405
Real estate related depreciation and amortization	25,005	25,574	50,126	49,911
<b>EBITDA</b>	91,299	69,965	140,781	115,836
Non-cash ground rent	1,328	1,479	2,662	2,987
Non-cash amortization of favorable and unfavorable contracts, net	(478)	(374)	(956)	(727)
Gain on sale of hotel properties	(8,121)	—	(8,121)	—
Hotel acquisition costs	—	260	—	492
Hotel manager transition costs (1)	—	66	—	534
Impairment losses	—	9,675	—	10,461
Severance costs (2)	119	—	119	—
<b>Adjusted EBITDA</b>	\$ 84,147	\$ 81,071	\$ 134,485	\$ 129,583

(1) Classified within other hotel expenses on the condensed consolidated statements of operations.

(2) Classified within corporate expenses on the condensed consolidated statements of operations.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Net income</b>	\$ 44,175	\$ 24,822	\$ 60,953	\$ 35,464
Real estate related depreciation and amortization	25,005	25,574	50,126	49,911
Impairment losses	—	9,675	—	10,461
Gain on sale of hotel properties, net of income tax	(7,010)	—	(7,010)	—
<b>FFO</b>	62,170	60,071	104,069	95,836
Non-cash ground rent	1,328	1,479	2,662	2,987
Non-cash amortization of favorable and unfavorable contracts, net	(478)	(374)	(956)	(727)
Hotel acquisition costs	—	260	—	492
Hotel manager transition costs (1)	—	66	—	534
Severance costs (2)	119	—	119	—
Fair value adjustments to debt instruments	4	(14)	18	66
<b>Adjusted FFO</b>	\$ 63,143	\$ 61,488	\$ 105,912	\$ 99,188

(1) Classified within other hotel expenses on the condensed consolidated statements of operations.

(2) Classified within corporate expenses on the condensed consolidated statements of operations.

**Critical Accounting Policies**

Our unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of

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assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

### **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. Volatility in our financial performance from the seasonality of the lodging industry could adversely affect our financial condition and results of operations.

### **New Accounting Pronouncements Not Yet Implemented**

See Note 2 to the accompanying condensed consolidated financial statements for additional information relating to recently issued accounting pronouncements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business strategies, the primary market risk to which we are currently exposed, and, to which we expect to be exposed in the future, is interest rate risk. The face amount of our outstanding debt as of June 30, 2016 was \$0.9 billion, of which \$270.4 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 \$0.7 million annually.

### **Item 4. Controls and Procedures**

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

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

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

Other than the following, there have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

***Economic conditions leading up to and following the United Kingdom's likely exit from the European Union could have an adverse effect on the lodging industry and our results of operations.***

On June 23, 2016, the United Kingdom held a referendum in which a majority of voters voted to exit the European Union ("Brexit"). Negotiations are expected to commence to determine the future terms of the United Kingdom's relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets, either during a transitional period or more permanently. Brexit could adversely affect European and global economic or market conditions and could contribute to instability in global financial markets. In periods of economic weakness or uncertainty, business and leisure travelers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. Any of these effects of Brexit, and others the Company cannot anticipate, may have an adverse effect on the lodging industry and may adversely affect the Company's business.

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

Period	(a) Total Number of Shares Purchased <sup>(1)</sup>	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Amount that May Yet be Purchased Under the Plans or Programs (in thousands) <sup>(2)</sup>
April 1 - April 30, 2016	—	\$ —	—	\$ 150,000
May 1 - May 31, 2016	—	\$ —	—	\$ 150,000
June 1 - June 30, 2016	—	\$ —	—	\$ 150,000

(1) Reflects shares surrendered to the Company by employees for payment of tax withholding obligations in connection with the vesting of restricted stock.

(2) Represents amounts available under the Company's \$150 million share repurchase program. The share repurchase program may be suspended or terminated at any time without prior notice.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.



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### **Item 6. Exhibits**

#### (a) Exhibits

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

<u>Exhibit</u>	
3.1.1	Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company ( <i>incorporated by reference to the Registrant's Registration Statement on Form S-11 filed with the Securities and Exchange Commission (File No. 333-123065)</i> )
3.1.2	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company ( <i>incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2007</i> )
3.1.3	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company ( <i>incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2012</i> )
3.1.4	Articles Supplementary of DiamondRock Hospitality Company ( <i>incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 26, 2014</i> )
3.1.5	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company ( <i>incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2016</i> )
3.2.1	Fourth Amended and Restated Bylaws of DiamondRock Hospitality Company ( <i>incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2016</i> )
4.1	Form of Certificate for Common Stock for DiamondRock Hospitality Company ( <i>incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 5, 2010</i> )
10.1	Fourth Amended and Restated Credit Agreement, dated as of May 3, 2016 ( <i>incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2016</i> )
10.2	Term Loan Agreement, dated as of May 3, 2016 ( <i>incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2016</i> )
10.3†*	Form of Restricted Stock Award Agreement
10.4†*	Form of Performance Stock Unit Agreement
10.5†*	Form of Deferred Stock Unit Award Agreement
31.1*	Certification of Chief Executive Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
31.2*	Certification of Chief Financial Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



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 30, 2016 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.

† Exhibit is a management contract or compensatory plan or arrangement

\* Filed herewith

**SIGNATURES**

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

DiamondRock Hospitality Company

August 5, 2016

/s/ Sean M. Mahoney

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

/s/ Briony R. Quinn

Briony R. Quinn  
Chief Accounting Officer and Corporate Controller  
(Principal Accounting Officer)

## DiamondRock Hospitality Company

### Restricted Stock Award Agreement

**Name of Grantee:**

**No. of Base Shares:**

**Purchase Price per Share: \$**

**Grant Date:** \_\_, 20\_\_

**Vesting Schedule:**

Vesting Date	Percentage of Shares Becoming Vested	Cumulative Percentage Vested
__, 20__	__%	--__%
__, 20__	__%	__%
__, 20__	__%	__%

Pursuant to the DiamondRock Hospitality Company 2016 Equity Incentive Plan, as amended through the date hereof (the “**Plan**”), DiamondRock Hospitality Company (the “**Company**”) hereby grants a Restricted Stock Award equal to the number of Base Shares set forth above (the “**Award**”) to the Grantee named above. Upon acceptance of the Award, the Grantee shall receive the Award, subject to the restrictions and conditions set forth herein and in the Plan.

1. Acceptance of Award; Rights as Shareholder.

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

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

2. Restrictions and Conditions.

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

(b) Subject to Section 4(c) below, unless the Administrator provides Grantee (or Grantee’s legal representative) contrary written notice within 60 days of the termination of Grantee’s employment (which notice may be given in Administrator’s sole and complete discretion), if the Grantee’s employment with the Company, the Operating Partnership or any of their Subsidiaries is voluntarily or involuntarily terminated for any reason, the Company shall automatically repurchase from the Grantee or the Grantee’s legal representative any shares of Stock that are not then vested at a price equal to the purchase price per share set forth above. If the purchase price per share set forth above is zero, the unvested shares of Stock

shall be automatically forfeited. If the Administrator provides Grantee (or Grantee's legal representative) with written notice that the Company will permit the continued vesting of the unvested portion of the Award following the termination of Grantee's employment, then the unvested portion of the Award will continue to vest on the terms set forth in such notice.

(c) Unless the Administrator otherwise consents in writing at the time of the grant of the Award or within 30 days thereafter, Grantee agrees not to file an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, (an "**83(b) Election**") with the Internal Revenue Service with respect to any shares of Stock issued pursuant to the Award. If Grantee files an 83(b) Election with respect to any shares of Stock issued pursuant to the Award, the issuance of such shares of Stock shall be void and the Grantee shall have no rights with respect to such shares.

### 3. Dividends.

(a) Notwithstanding anything contained herein or in the Plan, on each Applicable Dividend Payment Date, the Administrator shall cause any cash dividends payable on such Applicable Dividend Payment Date with respect to the Award to be credited to an account maintained by Administrator for the benefit of Grantee.

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

(b) On each Vesting Date, the Administrator shall deliver to the Grantee that portion of the cumulative cash dividends credited on each Applicable Dividend Payment Date which are attributable to the then-vesting portion of the Award.

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

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

### 4. Vesting of Restricted Stock.

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

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

(c) Notwithstanding anything contained herein or in the Plan, the terms of any severance or employment agreement between the Company and the Grantee shall determine whether, and to what extent, any unvested shares of Stock held by the Grantee shall accelerate in connection with the occurrence of certain termination of employment events including, without limitation, in the event of a termination of employment in connection with a Change in Control (as such term is defined in any such severance or

employment agreement). In addition, upon a Change in Control, if the Award is not assumed, converted or replaced by the continuing entity, all shares of Stock which are not vested shall immediately vest.

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

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

7. Tax Withholding. When the Award becomes a taxable event for Federal income tax purposes, the Company shall withhold from shares of Stock to be released a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Deferred Stock Awards. Notwithstanding anything contained herein to the contrary, to the extent that the Grantee has validly elected to defer the Stock issuable under this Agreement, then, in lieu of receiving shares of Stock as provided herein, the Grantee shall receive Deferred Stock Units (as defined in the Plan or any successor Plan) pursuant to a Deferred Stock Unit Award Agreement to be entered into at such time between the Grantee and the Company.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, the Operating Partnership and their subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Miscellaneous.

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

(b) This Agreement does not confer upon the Grantee any rights with respect to continuation of employment by the Company, the Operating Partnership or any Subsidiary, and neither the Plan nor this Agreement shall interfere in any way with the right of the Company, the Operating Partnership or any Subsidiary to terminate the employment of the Grantee at any time.

*[Signature Page Follows]*

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

**DiamondRock Hospitality Company**

By:

Name:

Title:

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

Dated:

Grantee's Signature

## DiamondRock Hospitality Company

### Performance Stock Unit Agreement

Name of Grantee: \_\_\_\_\_

Target No. of Relative TSR Performance Stock Units Granted: \_\_\_\_\_ (the “**TSR Target Award**”)

Target No. of Hotel Market Share Stock Units Granted: \_\_\_\_\_ (the “**HMS Target Award**”)

Grant Date of Award: \_\_, 20\_\_

**Performance Measure:** Relative Total Shareholder Return (as described in Exhibit A) and Hotel Market Share (as described in Exhibit B).

Pursuant to Section 11 of the DiamondRock Hospitality Company 2016 Equity Incentive Plan as amended through the date hereof (the “**Plan**”), DiamondRock Hospitality Company (the “**Company**”) hereby grants a performance stock unit award (“**Award**”) pursuant to Section 8 of the Plan consisting of the sum of:

- (i) the number of Relative TSR Performance Stock Units listed above (“**TSR Stock Units**”); and
- (ii) the number of Hotel Market Share Stock Units listed above (“**HMS Stock Units**”) (collectively with the TSR Stock Units, the “**Performance Stock Units**”)

to the Grantee named above.

Each TSR Stock Unit shall relate to one share of Common Stock, par value \$0.01 per share (the “**Stock**”) of the Company, subject to the restrictions and conditions set forth herein and in the Plan, and subject to the performance of the Company’s stock relative to the Peer Set (as defined in Exhibit A) as calculated in accordance with Exhibit A.

Each HMS Stock Unit shall relate to one share of Stock of the Company, subject to the restrictions set forth herein and in the Plan, and subject to the market share of Company hotels relative to such hotel’s Competitive Set (as defined in Exhibit B) as calculated in accordance with Exhibit B.

The performance goals are set forth in Exhibits A and B (the “**Performance Goals**”).

1. Definitions

(a) The following terms shall have the meanings ascribed to them in the Severance Agreement between the Grantee and the Company: (i) “**Cause**,” (ii) “**Change in Control**,” (iii) “**Good Reason**,” (iv) “**Disability**,” and (v) “**Retirement**.”

2. Acceptance of Award; Rights as Shareholder.

(a) The Grantee hereby acknowledges and understands that the Award represents a commitment of the Company to issue shares of Stock in the future, subject to the attainment of the Performance Goals and the receipt by the Company of a fully executed copy of this Agreement.

(b) The Award shall be settled by transferring to the Grantee a number of shares of Stock based on the TSR Target Award and HMS Target Award (as adjusted pursuant to Section 3) if, and only to the extent that, the Performance Goals are achieved during the TSR Performance Cycle and HMS Performance Cycle, respectively. The Administrator shall certify after the completion of the TSR Performance Cycle and HMS Performance Cycle, respectively, whether and to what extent the Performance Goals have been met. The actual number of shares of Stock to be issued to the Grantee will vary depending upon the attainment of the Performance Goals, and could be more or less than the TSR Target Award and/or HMS Target Award specified above.

(c) Upon such certification, the relevant number of shares of Stock (less withholding for tax purposes), in the form of fully vested shares of Stock, shall be issued and delivered to, or otherwise registered in book entry in the name of, the Grantee, and the Grantee's name shall be entered as the stockholder of record on the books of the Company and shall have all the rights of a shareholder with respect to such shares of Stock. Such vested shares of Stock shall be so issued and delivered to the Grantee no later than one month after the end of the TSR Performance Cycle and HMS Performance Cycle.

### 3. Dividends.

Accrued Dividends on the shares of Stock underlying the Performance Stock Units shall not be paid to the Grantee unless and until the Grantee vests in, and is issued, the relevant shares of Stock underlying the Performance Stock Units. The Grantee shall not be entitled to receive Accrued Dividends with respect to Performance Stock Units that do not vest.

### 4. Vesting of Performance Shares.

(a) Subject to Sections 4(b), 4(c), 4(d) and 4(e), at the end of the TSR Performance Cycle and HMS Performance Cycle, the Grantee shall vest in the Award to the extent determined in accordance with Exhibits A and B.

(b) Subject to Sections 4(c), 4(d) and 4(e), if the Grantee ceases to have any employment or other service relationship with the Company as an employee for any reason prior to the end of the TSR Performance Cycle or HMS Performance Cycle, the unvested Award shall be cancelled and no Stock shall be issued to the Grantee. The Grantee's eligibility to receive any shares of Stock in connection with the Award is conditioned on (i) the Grantee's continuous employment with the Company through the last day of the TSR Performance Cycle and/or HMS Performance Cycle and (ii) the attainment of the Performance Goals.

(c) Notwithstanding anything contained herein to the contrary, the Award shall vest immediately and shall not be cancelled as described in Section 4(b) above if the Grantee's employment is terminated due to the Grantee's death or Disability. In case of the occurrence of either such event, the actual numbers of shares of Stock to be issued to the Grantee will be determined in accordance with Exhibits A and B except that the TSR Multiplier and HMS Multiplier shall be deemed to be 100% and such shares of Stock shall be issued as soon as reasonably practicable after such death or Disability.



(d) Notwithstanding anything contained herein to the contrary, the Award shall be subject to continued vesting and shall not be cancelled as described in Section 4(b) above if the Grantee's employment is terminated (i) without Cause, (ii) by the Grantee for Good Reason or (iii) upon Retirement, and, in all such cases, the Grantee adheres to all restrictions, covenants and promises in the Severance Agreement, including execution and delivery of a general release in accordance with the Severance Agreement. In case of the occurrence of any such event, at the end of the TSR Performance Cycle and HMS Performance Cycle, the actual number of shares of Stock to be issued to the Grantee will be determined in accordance with Exhibits A and B except that the TSR Multiplier and HMS Multiplier shall be deemed to be 100%. For the avoidance of doubt, any such continued vesting shall mean that the Grantee does not need to be continuously employed through the end of the TSR Performance Cycle or HMS Performance Cycle, but the Award will still be paid at the end of the TSR Performance Cycle and HMS Performance Cycle in accordance with the provisions of Section 2(c) hereof.

(e) Notwithstanding anything contained herein to the contrary or in Section 3(c) of the Plan, in the event of a Change in Control, the TSR Performance Cycle and HMS Performance Cycle shall be deemed to have ended on the day immediately preceding the Change in Control and the attainment of the Performance Goals shall be calculated by reference to the Stock Price on the date immediately preceding the Change in Control. However, the actual number of shares of stock determined to be issued to such Grantee shall vest as follows:

(i) Such shares of Stock shall vest as of the date immediately preceding the Change of Control if the surviving or successor entity in the Change in Control does not continue, assume or replace such shares of Stock with a substitute grant with the same intrinsic value; or

(ii) If the surviving or successor entity in the Change in Control continues, assumes or replaces such shares of stock with a substitute grant with the same intrinsic value ("**Substitute Stock**"), then such shares of Substitute Stock shall vest on the earlier of (x) the last day of the TSR Performance Cycle and HMS Performance Cycle if the Grantee provides continuous service to the Company or an affiliate or the surviving or successor entity or one of its affiliates until the last day of the TSR Performance Cycle and HMS Performance Cycle or (y) the date that Grantee's service to the Company or an affiliate or the surviving or successor entity or one of its affiliates is terminated (A) without Cause, (B) by the Grantee for Good Reason, (C) due to the Grantee's death or Disability or (D) upon Retirement, and, in the case of vesting described in this clause (y), the TSR Multiplier and the HMS Multiplier shall be deemed to be 100%; provided such shares of Substitute Stock shall not vest and the Grantee will have no right to receive such shares if the Grantee is terminated with Cause or the Grantee's employment is terminated by the Grantee without Good Reason prior to the end of the TSR Performance Cycle and/or HMS Performance Cycle. For avoidance of doubt, Substitute Stock can only have the same intrinsic value if it is in the form of publicly registered stock that is readily traded on a major stock exchange.

##### 5. Delivery of Stock.

The Company shall not be obligated to deliver any shares of Stock in accordance with the terms of the Award until (i) all federal and state laws and regulations as the Company may deem applicable have been complied with; (ii) the shares have been listed or authorized for listing upon official notice to the national stock exchange on which the Common Stock is traded or have otherwise been accorded trading privileges; and (iii) all other legal matters in connection with the issuance and delivery of the shares have

been approved by the Company's General Counsel, or, in the absence of a Company General Counsel, the Company's outside legal counsel.

6. Incorporation of Plan.

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

7. Transferability.

This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. The Award, and any shares of Stock issuable with respect to the Award may not be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law until (i) the Award has vested as provided in Section 4 of this Agreement and (ii) shares of Stock have been issued to the Grantee. Any attempted disposition of Stock not in accordance with the terms and conditions of this Section 7 shall be null and void, and the Company shall not reflect on its records any change in record ownership of any shares of Stock as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of any shares of Stock.

8. Tax Withholding.

Upon the settlement of the Award, the Company shall withhold from the shares of Stock to be issued to the Grantee, a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum Federal, state and local tax required to be withheld by the Company as a result of such taxable event.

9. Deferred Stock Unit Awards.

Notwithstanding anything contained herein to the contrary, to the extent that the Grantee has validly elected to defer the Stock issuable under this Agreement, then, in lieu of receiving shares of Stock as provided herein, the Grantee shall receive Deferred Stock Units (as defined in the Plan or any successor Plan) pursuant to a Deferred Stock Unit Award Agreement to be entered into at such time between the Grantee and the Company.

10. Section 409A of the Code.

This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

11. Data Privacy Consent.

In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, the Operating Partnership, their Subsidiaries and affiliates and certain agents thereof (together, the "**Relevant Companies**") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "**Relevant Information**"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant

Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Miscellaneous.

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

(b) This Agreement does not confer upon the Grantee any rights with respect to continuation of employment by the Company, the Operating Partnership or any Subsidiary, and neither the Plan nor this Agreement shall interfere in any way with the right of the Company, the Operating Partnership or any Subsidiary to terminate the employment of the Grantee at any time.

[Signature Page Follows]

ACTIVE/87284223.3

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

**DiamondRock Hospitality Company**

By:  
Name:  
Title:

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

Dated:

Grantee's Signature

**Exhibit A**

**Determination of Relative Total Shareholder Return**

**Exhibit B**

**Determination of Hotel Market Share**

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

**UNDER THE DIAMONDROCK HOSPITALITY COMPANY**  
**2016 EQUITY INCENTIVE PLAN**

Name of Grantee:

Number of DSUs Granted:

Grant Date: \_\_, 20\_\_

1. **Award**. Pursuant to the DiamondRock Hospitality Company 2016 Equity Incentive Plan as amended through the date hereof (the "Plan"), DiamondRock Hospitality Company (the "Company") hereby grants to the Grantee named above the number of Deferred Stock Units ("DSUs") specified above. This Award represents a promise to pay to the Grantee at a future date, subject to the restrictions and conditions set forth herein and in the Plan, a number of shares of common stock, par value \$0.01 per share (the "Stock") of the Company equal to the number of DSUs. The DSUs are being granted in accordance with the terms of the Company's Amended and Restated Non-Employee Directors' Deferred Compensation Program, effective April 28, 2010, as amended through the date hereof (the "Program").
2. **Restrictions and Conditions**. The DSUs are subject to restrictions as set forth herein and in the Plan.
3. **Vesting of DSUs**. The DSUs granted hereunder shall be fully vested on the Grant Date.
4. **Timing and Form of Payout**. The DSUs will be paid to the Grantee in the form of shares of Stock at the time and in the manner specified in the Program.
5. **Voting Rights and Dividends**. Until such time as the DSUs are paid out in shares of Stock, the Grantee shall not have voting rights. However, all dividends and other distributions paid with respect to the shares of Stock covered by the DSUs shall accrue and shall be converted to additional DSUs as specified in the Program.
6. **Change in Control**. In the event of a Change in Control of the Company prior to the payout of shares of Stock, all DSUs shall be treated as specified in the Program.
7. **Beneficiary Designation**. The Grantee may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit.

Each such designation shall revoke all prior designations by the Grantee, shall be in a form prescribed by the Company, and will be effective only when filed by the Grantee in writing with the Company during the Grantee's lifetime. In the absence of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to the Grantee's estate.

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

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

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

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, the Operating Partnership and their subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

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

DiamondRock Hospitality Company

By:

Name:

Title:

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

Dated:

Grantee's Signature

Grantee's name and address:



**Certification of Chief Executive Officer**  
**Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Mark W. Brugger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiamondRock Hospitality Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2016

/s/ Mark W. Brugger

\_\_\_\_\_  
Mark W. Brugger

Chief Executive Officer

(Principal Executive Officer)

**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: August 5, 2016

/s/ Sean M. Mahoney

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

**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

\_\_\_\_\_  
Mark W. Brugger  
Chief Executive Officer

August 5, 2016

/s/ Sean M. Mahoney

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Sean M. Mahoney  
Executive Vice President and Chief Financial Officer

August 5, 2016