As filed with the Securities and Exchange Commission on March 1, 2005

Registration No. 333-

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

FORM S-11
FOR REGISTRATION
UNDER
THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

DIAMONDROCK HOSPITALITY COMPANY
(Exact Name of Registrant as Specified in its Governing Instruments)

10400 Fernwood Road, Suite 300, Bethesda, Maryland 20817, (301) 380-7100
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

William W. McCarten
Chief Executive Officer
DiamondRock Hospitality Company
10400 Fernwood Road, Suite 300, Bethesda, Maryland 20817
(301) 380-7100
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $.01 per share	$172,500,000	$20,500

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 1, 2005

PROSPECTUS

Shares of Common Stock

DIAMONDROCK HOSPITALITY COMPANY

We are a self-advised real estate company that owns, acquires and invests in upper upscale and upscale hotel properties located primarily in North America. This is our initial public offering of common stock and no public market currently exists for our common stock. We are offering shares of common stock and shares of common stock are being offered by the selling stockholders described in this prospectus. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

We expect to qualify as a real estate investment trust, or REIT, for federal income tax purposes and will elect to be taxed as a REIT under the federal income tax laws for the taxable year ending December 31, 2005 and subsequent taxable years.

We currently expect the initial public offering price of our common stock to be between $ and $ per share. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol "DRH".

Shares of our common stock are subject to ownership limitations that we must impose in order for us to qualify, and maintain our status, as a REIT.

See "Risk Factors" beginning on page 18 of this prospectus for certain risk factors relevant to an investment in shares of our common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us (before expenses)	$	$
Proceeds to selling stockholders (before expenses)	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect to deliver the shares of common stock on or about , 2005.

The underwriters may purchase up to an additional shares of common stock from us at the public offering price, less the underwriting discount, within 30 days after the date of this prospectus solely to cover over-allotments, if any.

FRIEDMAN BILLINGS RAMSEY

The date of this prospectus is , 2005

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SUMMARY

The following summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus, including "Risk Factors" and our historical and pro forma financial statements appearing elsewhere in this prospectus, before investing in our common stock. References in this prospectus to "we," "our," "us" and "our company" refer to DiamondRock Hospitality Company, including, as the context requires, DiamondRock Hospitality Limited Partnership, our operating partnership, as well as our other direct and indirect subsidiaries, including our existing taxable REIT subsidiary, Bloodstone TRS, Inc. References to "Marriott" are to Marriott International, Inc., including, as the context requires, its subsidiaries. References to "upper upscale," "upscale," "full service" and "limited service" are to hotels classified in those categories by Smith Travel Research, Inc. References to "RevPAR" are to revenue per available room, which is the product of average daily rate, which we refer to as "ADR," and occupancy, and is a key performance indicator for the hotel industry. Unless otherwise indicated, the information contained in this prospectus assumes that (i) the underwriters' over-allotment option is not exercised and (ii) the common stock to be sold in this offering is sold at $ per share, which is the midpoint of the range of prices indicated on the front cover of this prospectus.

Our Company

We are a self-advised real estate company that owns, acquires and invests in upper upscale and upscale hotel properties located primarily in North America. To a lesser extent, we may invest, on a selective basis, in premium limited service and extended stay hotel properties in urban locations. We began operations in July 2004 when we completed a private placement of our common stock.

Our senior management team has extensive experience and a broad network of relationships in the hotel industry, which we believe provides us with ongoing access to hotel property investment opportunities and enables us to quickly identify and consummate acquisitions. Since our July 2004 private placement, we have acquired seven hotels, comprising 2,357 rooms, located in the following markets: New York City (2 hotels), Washington D.C., Los Angeles, Salt Lake City, Northern California and Lexington, Kentucky for purchase prices aggregating approximately $368.0 million.

We have an investment sourcing relationship with Marriott, a leading worldwide hotel brand, franchise and management company. Marriott has agreed to provide us, subject to certain limitations, with a "first look" at hotel property acquisition and investment opportunities known to it. This investment sourcing relationship with Marriott has already facilitated the acquisition of four of our initial seven hotel properties. We believe that our ability to implement our business strategies is greatly enhanced by the continuing source of additional acquisition opportunities generated by this relationship, as many of the properties Marriott brings to our attention are offered to us through "off-market" transactions, meaning that they are not made generally available to other hospitality companies.

We intend to use Marriott as our preferred, but not exclusive, hotel management company for our hotel properties and expect to benefit from Marriott's strong brands and its excellent hotel management services. Marriott-branded hotels have an extensive record of generating premiums in RevPAR over competitive brands. Each of our initial hotel properties operates under a recognized Marriott brand, including Marriott®, Renaissance Hotels and Resorts® and Courtyard by Marriott®. In connection with our July 2004 private placement, Marriott purchased 3,000,000 shares, or 13.8% of our outstanding common stock (which amount outstanding includes shares of unvested restricted stock).

Our Competitive Strengths

We believe we distinguish ourselves from other owners, acquirors and investors in hotel properties through our competitive strengths, which include:

- **Experienced Management Team**. We believe the extensive hotel industry experience of our senior management team will enable us to effectively implement our business strategies. Together, our senior management team of William W. McCarten, John L. Williams, Mark W. Brugger, Michael D. Schecter and Sean M. Mahoney has more than 75 years of experience in lodging, real estate and related service industries, including hotel asset management, acquisitions, mergers, dispositions, development, redevelopment and financing. Collectively, they have been involved in hotel transactions aggregating several billion dollars and over 100,000 hotel rooms.

- **Marriott Investment Sourcing Relationship**. Our investment sourcing relationship with Marriott provides us, subject to certain limitations, with a "first look" at hotel property acquisition and investment opportunities known to it. Our senior management team currently meets with senior representatives of Marriott approximately every two weeks to discuss, among other things, potential hotel property investment opportunities known to Marriott. As a result of Marriott's extensive network, relationships and knowledge of hotel property investment opportunities, we believe we have preferred access to a unique source of hotel property investment opportunities, many of which may not be available to other hospitality companies. Since our formation in 2004, Marriott has provided us access to more than $1.9 billion of off-market acquisition opportunities. Our relationship with Marriott has facilitated the acquisition of four of our initial seven hotel properties.
- **Proven Acquisition Capability**. Our senior management team has established a broad network of hotel industry contacts and relationships, including relationships with hotel owners, financiers, operators, commercial real estate brokers and other key industry participants. These industry relationships have provided us with another valuable source of potential hotel property investment opportunities. We believe that our ability to quickly identify, negotiate, finance and consummate acquisitions has positioned us as a preferred buyer of hotel properties.
- **Growth-Oriented Capital Structure**. Upon completion of, and application of the net proceeds from, this offering, we will have $ million in secured financing, representing an initial leverage ratio of approximately % of our pro forma total investments as of December 31, 2004, including projected capital improvements, and approximately $ million in net proceeds from this offering to fund future hotel property investments and working capital. In addition, we currently are negotiating with a number of financial institutions to obtain a line of credit to fund additional acquisitions and renovations and for general working capital and other corporate purposes.

Our Business Objective and Strategies

Our principal business objective is to maximize stockholder value through a combination of dividends, growth in funds from operations and increases in net asset value. We believe that we can create long-term value in our hotel properties by taking advantage of individual market recovery opportunities and aggressive asset management and repositioning, which may include: (i) re-branding, (ii) capital renovation and/or (iii) changing hotel management. In order to achieve our business objective, we intend to pursue the following strategies:

- **Disciplined Acquisition of Hotel Properties**. We will seek to create value by acquiring upper upscale and upscale hotel properties in geographically diverse locations, and to a lesser extent, premium limited service and extended stay hotels in urban locations, in accordance with our disciplined acquisition strategy. Our focus is on acquiring undermanaged or undercapitalized hotel properties at prices below replacement cost and that are located in markets where we expect demand growth will outpace new supply.
- **Aggressive Asset Management.** We intend to aggressively manage our hotel properties by continuing to employ value-added strategies (such as re-branding, renovating, or changing management) designed to increase the operating results and value of our hotel property investments. We currently plan to invest approximately $28 million in 2005 and 2006 to renovate our initial hotels, including $23.9 million in

capital that has been pre-funded into various escrow accounts. We do not operate our hotel properties, but we have structured, and intend to continue to structure, our hotel management agreements to allow us to closely monitor the performance of our hotels and to ensure, among other things, that our third-party managers: (i) implement an approved business and marketing plan, (ii) implement a disciplined capital expenditure program and (iii) establish and prudently spend appropriate furniture, fixtures and equipment reserves.

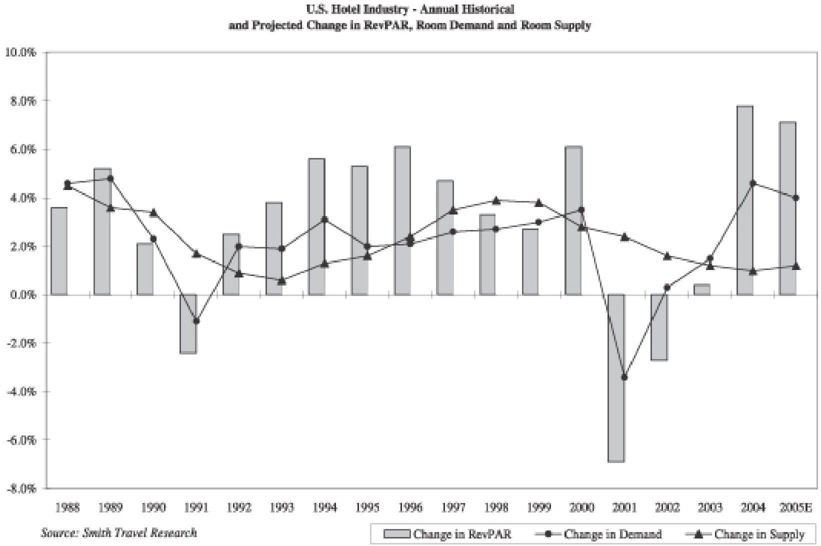
- **Opportunistic Hotel Repositioning**. We intend to seek opportunities to acquire hotel properties that will benefit from repositioning, including re-branding, renovating or changing management to increase the operating results and value of our hotel property investments. We believe our investment sourcing relationship with Marriott will yield many of these opportunities.

Hotel Industry

We believe the hotel industry, as a whole, is continuing to recover from a pronounced downturn that occurred over the three-year period from 2001-2003. This recovery has been, and we expect it to continue to be, primarily driven by increased demand for hotel rooms. According to Smith Travel Research, demand for hotel rooms, measured by total rooms sold, increased by 0.3% in 2002, 1.5% in 2003 and 4.7% in 2004 and is projected to increase by 4.0% in 2005. By comparison, hotel room supply grew by 1.6% in 2002, 1.2% in 2003 and 1.0% in 2004 and is projected to increase by 1.2% in 2005 as compared to its past 15-year historical annual average of 2.1%.

We expect that sustained growth in demand will result in continued improvement of hotel industry fundamentals. According to Smith Travel Research:

- occupancy increased by 3.7% in 2004 and is projected to increase by 2.8% in 2005;
- ADR increased by 4.0% in 2004 and is projected to increase by 4.2% in 2005; and
- RevPAR increased by 7.8% in 2004 and is projected to increase by 7.1% in 2005.



We expect that our hotel properties will be well-positioned to benefit from this recovery in hotel industry fundamentals.

Our Initial Hotel Properties

The following table sets forth certain operating information for each of our initial hotels. This information includes periods prior to our acquisition of these hotels:

Property	Location	Month/Year Acquired	Number of Rooms(1)	Average Occupancy(2)	ADR(2)	RevPAR(2)
Courtyard Manhattan/ Midtown East	New York, New York	11/04	307	89.2%	$199.43	$ 177.85
Torrance Marriott	Los Angeles County, California	1/05	487	77.4	99.63	77.16
Salt Lake City Marriott Downtown	Salt Lake City, Utah	12/04	510	67.9	115.51	78.49
Marriott Griffin Gate Resort	Lexington, Kentucky	12/04	408	68.0	110.11	74.90
Bethesda Marriott Suites	Bethesda, Maryland	12/04	274	74.6	153.73	114.73
Courtyard Manhattan/ Fifth Avenue	New York, New York	12/04	189	89.3	140.96	125.88
The Lodge at Sonoma Renaissance Resort & Spa	Sonoma, California	10/04	182	65.1	187.34	122.03
TOTALS/WEIGHTED AVERAGES			2,357	75.0%	$136.21	$ 102.11

(1) As of December 31, 2004.
(2) For the fiscal year ended December 31, 2004.

The following table sets forth information regarding our investment in each of our initial hotels:

Property	Location	Year Opened	Number of Rooms(1)	Purchase Price (2)	Pre-Funded Capital Improvements(3)	Projected Additional Capital Improvements(4)	Total Projected Investment(5)	Total Projected Investment Per Room
Courtyard Manhattan/ Midtown East	New York, New York	1998	307	$ 78,857,000	$ 3,500,000	$ —	$ 82,357,000	$ 268,264
Torrance Marriott	Los Angeles County, California	1985	487	72,002,000	10,000,000	—	82,002,000	168,382
Salt Lake City Marriott Downtown	Salt Lake City, Utah	1981	510	53,345,000	3,760,531	939,469	58,045,000	113,814
Marriott Griffin Gate Resort	Lexington, Kentucky	1981	408	49,842,000	1,700,000	—	51,542,000	126,328
Bethesda Marriott Suites	Bethesda, Maryland	1990	274	41,892,000	830,000	3,170,000	45,892,000	167,489
Courtyard Manhattan/ Fifth Avenue	New York, New York	1990	189	39,740,000	4,100,000	—	43,840,000	231,958
The Lodge at Sonoma Renaissance Resort & Spa	Sonoma, California	2001	182	32,345,000	—	—	32,345,000	177,720
TOTALS/WEIGHTED AVERAGES			2,357	$ 368,023,000	$ 23,890,531	$ 4,109,469	$ 396,023,000	$ 168,020

(1) As of December 31, 2004.
(2) Purchase price includes, for each hotel property, all amounts paid to the seller, assumed debt and amounts paid for working capital plus costs paid with respect to third-party professional fees in connection with our purchase, but it does not include costs related to mortgage debt used by us to finance the purchase of the hotel property.
(3) Pre-funded capital improvements are capital improvements projected to occur in 2005 and 2006 which reflect amounts pre-funded into various escrow accounts.
(4) Represents projected additional capital improvements for 2005 and 2006 that have not been pre-funded into an escrow account.
(5) Total projected investment, for each hotel property, is the sum of the purchase price, pre-funded capital improvements and projected additional capital improvements.

Our Acquisition Properties

Proposed Acquisitions Under Contract. We intend to use a portion of the net proceeds from this offering to acquire and invest in additional hotel properties. As of the date of this prospectus, we have properties under contract that we consider to be “probable” acquisitions. The following table sets forth information regarding those properties:

Property	Location	Year Opened	Month/Year Acquired	Number of Rooms	Average Occupancy	ADR	RevPAR

Property	Location	Year Opened	Number of Rooms	Purchase Price	Pre-Funded Capital Improvements	Projected Additional Capital Improvements	Total Projected Investment	Total Projected Investment Per Room

We cannot assure you that we will acquire any of these properties because each proposed acquisition is subject to a variety of factors including: (i) our completion of satisfactory due diligence and (ii) the satisfaction of closing conditions, including the receipt of third-party consents and approvals.

Letters of Intent. In addition to the properties set forth above that we have under contract and that we consider probable, as of the date of this prospectus, we have additional properties under non-binding letters of intent. The properties under these letters of intent have an aggregate acquisition cost of approximately $. We also cannot assure you that we will acquire any of the properties under these letters of intent because the letters of intent are non-binding and each of these transactions is subject to a variety of factors including: (i) the willingness of the current property owner to proceed with a transaction; (ii) our completion of satisfactory due diligence; (iii) the negotiation and execution of a mutually acceptable binding definitive purchase agreement and hotel management agreement (or assumption of an existing hotel management agreement); and (iv) the satisfaction of closing conditions, including the receipt of third-party consents and approvals.

Risk Factors

See “Risk Factors” beginning on page 18 for certain risk factors relevant to an investment in our common stock, including, among others:

- We were formed in May 2004 and commenced operations in July 2004 and have a limited operating history. Our management has no prior experience operating a REIT and limited experience operating a public company and therefore may have difficulty in successfully and profitably operating our business.
- We cannot assure you that we will qualify, or remain qualified, as a REIT.
- All of our initial hotel properties are managed by Marriott. As a result, our success is dependent in part on the continued success of Marriott and its brands.
- Failure of the hotel industry to continue to improve may adversely affect our ability to execute our business strategies, which, in turn, would adversely affect our ability to make distributions to our stockholders.

- We face competition for the acquisition of hotels and we may not be successful in identifying or completing hotel acquisitions that meet our criteria, which may impede our growth.
- Our investment sourcing relationship with Marriott is non-exclusive and based on a non-binding understanding that may be changed or terminated at any time, which could adversely affect our ability to execute our business strategies, which in turn, would adversely affect our ability to make distributions to our stockholders.
- In order to maintain our investment sourcing relationship with Marriott, Marriott may require us to enter into transactions or hotel management agreements that are not in our best interests.
- We rely on hotel management companies, including Marriott, to operate our hotel properties under the terms of hotel management agreements. Even if we believe our hotel properties are being operated inefficiently or in a manner that does not result in satisfactory RevPAR and operating profits, we may not have sufficient rights under our hotel management agreements to enable us to force the hotel management company to change its method of operation of our hotel properties.
- Our hotel management agreements require us to bear the operating risks of our hotel properties. Our operating risks include decreased hotel revenues and increased operating expenses. Any decreases in hotel revenues or increases in operating expenses may have a material adverse impact on our earnings and cash flow.
- We had $180.8 million in debt outstanding at December 31, 2004 and we incurred an additional $44.0 million of debt in connection with our acquisition of the Torrance Marriott in January 2005. We currently intend to obtain a secured revolving line of credit and may incur substantial additional debt in the future, including secured debt. Future debt service obligations may adversely affect our operating results, require us to liquidate our properties, jeopardize our tax status as a REIT or limit our ability to make distributions to our stockholders. Additionally, if we were to default on our secured debt in the future, the loss of any property securing the debt would harm our ability to satisfy other financial obligations.
- If we are unable to complete the acquisitions of the hotel properties we have under contract in a timely fashion or at all, we will have no designated use for a substantial portion of the net proceeds of this offering and may experience delays in locating and securing attractive alternative investments. These delays could result in our future operating results not meeting expectations and adversely affect our ability to make distributions to our stockholders.
- We acquired interests in three of our current properties by acquiring a leasehold interest in the property on which the building is located, and we may acquire additional properties in the future through the purchase of hotels subject to ground leases. As lessee under ground leases, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease.
- Our hotel properties are and will continue to be subject to various operating risks common to the hotel industry. Competition for acquisitions, the seasonality of the hotel industry, our investment concentration in a particular segment of the real estate industry and the need for capital expenditures could harm our future operating results and adversely affect our ability to make distributions to our stockholders.
- The events of September 11, 2001, recent economic trends, the military action in Afghanistan and Iraq and the possibility of future terrorist acts and military action have adversely affected the hotel industry generally, and similar future events could adversely affect the industry in the future.
- Uninsured and underinsured losses could adversely affect our operating results and our ability to make distributions to our stockholders.
- Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties in our portfolio in response to changing economic, financial and investment conditions may

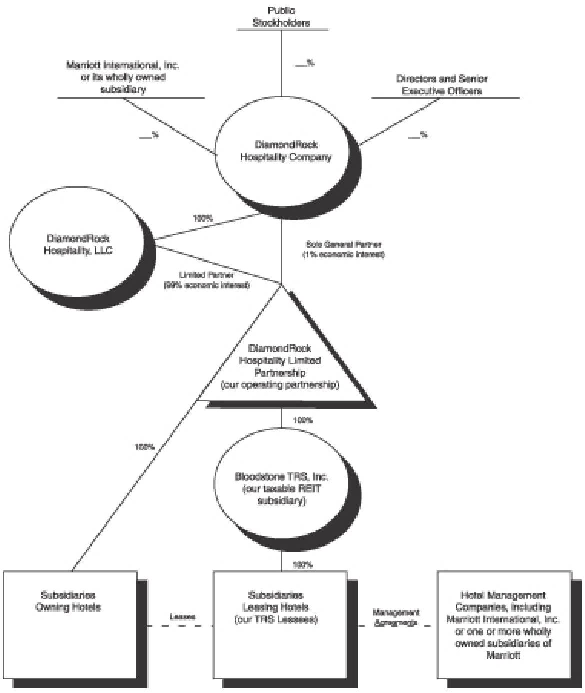
be limited. In addition, because our hotel management agreements contain restrictions on our ability to dispose of our hotel properties, are typically long-term and do not terminate in the event of a sale, our ability to sell our hotel properties may be further limited.

- Provisions of our charter may limit the ability of a third party to acquire control of our company, which may have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium to the market price of our common stock or otherwise be in our stockholders' best interests.
- If we fail to qualify for or lose our status as a REIT, we would be subject to federal income tax on our taxable income, reducing amounts available for distribution to our stockholders.
- As a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, each year to our stockholders. In the event of future downturns in our operating results and financial performance or the need for unanticipated capital improvements to our hotel properties, we may be unable to declare or pay distributions to our stockholders.

Our Structure

We were formed as a Maryland corporation in May 2004. We conduct our business through a traditional umbrella partnership REIT, or UPREIT, in which our hotel properties are owned by our operating partnership, DiamondRock Hospitality Limited Partnership, limited partnerships, limited liability companies or other subsidiaries of our operating partnership. We are the sole general partner of our operating partnership and currently own, either directly or indirectly, all of the limited partnership units of our operating partnership. In the future, we may issue limited partnership units to third parties from time to time in connection with acquisitions of hotel properties. In order for the income from our hotel property investments to constitute "rents from real properties" for purposes of the gross income test required for REIT qualification, the income we earn cannot be derived from the operation of any of our hotels. Therefore, we lease each of our hotel properties to a wholly-owned subsidiary of Bloodstone TRS, Inc., our existing taxable REIT subsidiary, or TRS. We refer to these subsidiaries as our TRS lessees. We may form additional TRSs in the future.

The following chart shows our corporate structure following the completion of this offering:



Our Principal Office

Until at least July 2005, we will sublease office space from Marriott located at its headquarters at 10400 Fernwood Road, Bethesda, MD 20817. Our telephone number is 301-380-7100. Our Internet address is http://www.drhc.com. The information on our website does not constitute a part of this offering.

Our Tax Status

We did not elect REIT tax status for our first taxable year ended December 31, 2004 but operated as a taxable C corporation for 2004. We intend to elect to be taxed as a REIT for federal income tax purposes for our taxable year ending on December 31, 2005 and for subsequent taxable years. If we qualify for taxation as a REIT, we generally will not be subject to federal income tax on that portion of our ordinary income or net capital gain that is currently distributed to our stockholders. Our ability to qualify as a REIT will depend upon our satisfaction of various operational and organizational requirements, including requirements related to the nature of our assets, the sources of our income, the diversity of our stock ownership and the distributions to our stockholders, including a requirement that we distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, each year to our stockholders. If we fail to qualify as a REIT, we will be subject to federal income tax at regular corporate rates (up to 35%) as well as state and local taxes. Even if we qualify as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property. Our existing taxable REIT subsidiary, Bloodstone TRS, Inc., owner of our TRS lessees, is fully subject to corporate income tax as a C corporation on its earnings and the earnings of our TRS lessees.

In order to qualify as a REIT, our income must come primarily from “rents from real property,” mortgage interest and real estate gains. Qualifying “rents from real property” include rents from interests in real property, certain charges for services customarily rendered in connection with the rental of real property, and a limited amount of rent attributable to personal property that is leased under, or in connection with, a lease of real property. However, operating revenues from a hotel property are not qualifying “rents from real property.” Therefore, we generally must lease our hotel properties to another party from whom we will derive rent income that will qualify as “rents from real property” under the REIT rules. Accordingly, we generally will lease each of our hotels to a taxable TRS lessee. Each TRS lessee will pay rent to us that generally should qualify as “rents from real property,” provided that an “eligible independent contractor” operates and manages each hotel property on behalf of the TRS lessee. We expect that each of our hotel properties will be managed by an “eligible independent contractor.” The income remaining in our TRS lessees from the payment of rent to us, management fees, operating expenses and other costs will be subject to corporate tax.

Restrictions on Ownership of Our Stock

Due to limitations on the concentration of ownership of REIT shares imposed by the Code, our charter generally prohibits any stockholder from beneficially owning more than 9.8% of our common stock or of the value of the aggregate outstanding shares of our capital stock, except that certain “look-through entities,” such as mutual funds, may beneficially own up to 15% of our common stock or of the value of the aggregate outstanding shares of our capital stock. Our board of directors may, in its sole discretion, waive this ownership limitation with respect to a particular stockholder if our board is presented with evidence satisfactory to it that the ownership will not then or in the future jeopardize our qualification as a REIT. Our board of directors waived this ownership limitation for Marriott and certain institutional investors in connection with our July 2004 private placement and may waive it again in the future so long as our board of directors determines these waivers should not affect our REIT qualification. In addition, our charter also prohibits any person from:

- owning shares of our capital stock if such ownership would result in our being “closely held” within the meaning of Section 856(h) of the Code;
- transferring shares of our capital stock if such transfer would result in our capital stock being owned by fewer than 100 persons;
- owning shares of our capital stock if such ownership would cause any of our income that would otherwise qualify as rents from real property to fail to qualify as such, including as a result of any of our hotel management companies’ failing to qualify as “eligible independent contractors” under the REIT rules; and
- owning shares of our capital stock if such ownership would result in our failing to qualify as a REIT for federal income tax purposes.

In addition, our charter limits equity participation by "benefit plan investors" to less than 25% in the aggregate so that such participation in any class of our capital stock by such "benefit plan investors" will not be deemed "significant." Additionally, our charter limits the ability of any stockholder to sell or transfer shares of our capital stock if such sale or transfer would result in ownership of such class of capital stock by "benefit plan investors" being "significant." For such purposes, the terms "benefit plan investors" and "significant" are determined by reference to certain regulations promulgated by the U.S. Department of Labor. At the time shares of our common stock become "publicly-offered securities," this 25% limitation will no longer be applicable to the shares of common stock, and we anticipate that our common stock will qualify as "publicly-offered securities" following this offering. Following this offering, "benefit plan investors" will not be permitted to own any class of our capital stock that does not qualify as "publicly-offered securities."

Our Distribution Policy

We intend to generally distribute to our stockholders each year on a regular quarterly basis sufficient amounts of our REIT taxable income so as to avoid paying corporate income tax and excise tax on our earnings (other than the earnings of our taxable REIT subsidiary and TRS lessees, which are 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, 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 actual amount and timing of distributions, however, will be at the discretion of our board of directors and will depend upon our actual results of operations and a number of other factors deemed relevant by our board of directors. Our cash available for distribution may be less than 90% of our REIT taxable income, in which case we could be required to either sell assets or borrow funds to make distributions. Distributions to our stockholders generally will be taxable to our stockholders as ordinary income; however, because a significant portion of our investment will be equity ownership interests in hotels, which will result in depreciation and non-cash charges against our income, a portion of our distribution may constitute a tax-free return of capital rather than taxable dividend income to stockholders.

Registration Rights and Lock-Up Agreements

Registration Rights Agreement. Pursuant to a registration rights agreement among us, our operating partnership, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, entered into on July 7, 2004, which we refer to as the registration rights agreement, we are required, among other things, to:

- file with the SEC by April 7, 2005 a resale shelf registration statement registering all of the shares of common stock purchased or placed by Friedman, Billings, Ramsey & Co., Inc. in our July 2004 private placement that are not being sold in this offering and all of the 3,000,000 shares of common stock purchased by Marriott; and
- use our commercially reasonable best efforts to cause the resale shelf registration statement to become effective under the Securities Act as promptly as practicable, not to exceed six months, after the filing (subject to certain extensions) and to maintain the resale shelf registration statement continuously effective under the Securities Act for a specified period.

Lock-up Agreements. Subject to certain exceptions, our directors and officers and Marriott have agreed to be bound by lock-up agreements that prohibit them from selling, pledging, transferring or otherwise disposing of any of our common stock or securities convertible into our common stock for 180 days after the effective date of the resale shelf registration statement that we are required to file pursuant to the registration rights agreement.

In addition, the underwriters of this offering will request that all of our other stockholders agree pursuant to the registration rights agreement not to sell or otherwise dispose of any of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus, and are not selling in this offering, until 60 days after the effective date of this prospectus, except in specified circumstances. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters, may, in its discretion, release all or any portion of the common stock subject to the lock-up agreements with our directors and officers at any time without notice or stockholder approval, in which case, our other stockholders would also be released from the restrictions pursuant to the registration rights agreement.

Selling Stockholders

Pursuant to, and subject to the terms and conditions of, the registration rights agreement, persons who purchased our common stock in connection with our July 2004 private placement and their transferees have the right to sell their common stock in this offering. We are including shares of our common stock in this offering to be sold by selling stockholders.

THE OFFERING

Common stock offered by us[1]	shares
Common stock offered by selling stockholders	shares
Common stock to be outstanding upon completion of this offering[1][2]	shares
Use of proceeds	The net proceeds to us from the sale of our common stock offered by this prospectus, after deducting the underwriting discount and the estimated offering expenses payable by us, will be approximately $ million if the underwriters' over-allotment option is not exercised, or approximately $ million if the underwriters' over-allotment option is exercised in full. We will not receive any of the proceeds from the sale of common stock by the selling stockholders. We intend to use the net proceeds from this offering as follows: • approximately $ million to repay existing indebtedness; • approximately $ to fund the purchase and renovation of those acquisition properties currently under contract as of the date of this prospectus that we consider probable acquisitions; • approximately $4.1 million to renovate our initial hotels; and • the remainder for general corporate and working capital purposes, including possible future acquisitions. Pending these uses, we intend to invest the net offering proceeds in interest-bearing, short-term marketable investment securities or money-market accounts that are consistent with our intention to qualify as a REIT.
Proposed New York Stock Exchange symbol	DRH

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(1) Excludes shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option.

(2) Includes 20,000 unrestricted shares of our common stock issued to our independent directors and 700,500 restricted shares of our common stock issued to our executive officers and other employees pursuant to our equity incentive plan. Excludes ________ shares available for future issuance under our equity incentive plan.

SUMMARY SELECTED FINANCIAL AND OPERATING DATA

We present in this prospectus certain historical and pro forma financial data. We also present certain operational data and non-U.S. generally accepted accounting principles, or GAAP, financial measures on a historical and pro forma basis.

The summary historical financial information as of December 31, 2004, and the period from May 6, 2004 (inception) to December 31, 2004, has been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect to such financial information is included elsewhere in this prospectus. The summary historical financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the consolidated financial statements as of December 31, 2004 and for the period from May 6, 2004 (inception) to December 31, 2004, and the related notes.

The unaudited pro forma consolidated balance sheet data is presented as if:

- the completion of this offering and application of the net proceeds,
- the acquisition of the Torrance Marriott in January 2005, and
- the acquisition of those properties currently under contract as of the date of this prospectus that we consider probable acquisitions

had occurred on December 31, 2004.

The unaudited pro forma consolidated statement of operations and other data for the fiscal year ended December 31, 2004, are presented as if:

- the completion of this offering and application of the net proceeds,
- the acquisition of our initial seven hotels,
- the acquisition of those properties currently under contract as of the date of this prospectus that we consider probable acquisitions, and
- our July 2004 private placement

had occurred on the first day of the period presented.

These adjustments are also discussed in detail under "Unaudited Pro Forma Financial Data." The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

We present the following two non-GAAP financial measures throughout this prospectus that we believe are useful to investors as key measures of our operating performance: (1) earnings before interest expense, taxes, depreciation and amortization, or EBITDA; and (2) funds from operations, or FFO. These financial measures are discussed further under "Selected Financial and Operating Data."

Amounts presented in accordance with our definitions of EBITDA and FFO may not be comparable to similar measures disclosed by other companies, as not all companies calculate these non-GAAP measures in the same manner. EBITDA and FFO should not be considered as an alternative measure of our net income (loss), operating performance, cash flow or liquidity. EBITDA and FFO may include funds that may not be used for our discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions and other commitments or uncertainties. Although we believe that EBITDA and FFO can enhance your understanding of our results of operations, these non-GAAP financial measures, when viewed individually, are not necessarily better indicators of any trend as compared to GAAP measures such as net income (loss) or cash flow from operations. In this section and under “Selected Financial and Operating Data,” we include a quantitative reconciliation of EBITDA and FFO to the most directly comparable GAAP financial performance measure, which is net income (loss).

	Historical	Pro Forma
	Period from May 6, 2004 to December 31, 2004	Fiscal Year ended December 31, 2004
Statement of operations data:		
Total revenues	$ 7,073,864	$ 125,351,329
Operating costs and expenses:		
Hotel operating expenses	6,166,890	101,996,418
Corporate expenses	4,114,165	7,308,731
Depreciation and amortization	1,053,283	17,713,467
Total operating expenses	11,334,338	127,018,616
Operating loss	(4,260,474)	(1,667,287)
Interest and other income	(1,333,837)	(1,333,837)
Interest expense	773,101	12,337,505
Loss before income taxes	(3,699,738)	(12,670,955)
Income tax benefit	1,582,113	2,993,596
Net loss	$ (2,117,625)	$ (9,677,359)
FFO(1)	$ (1,064,342)	$ 8,036,108
EBITDA(2)(3)	$ (1,873,354)	$ 17,380,017
	As of December 31, 2004	As of December 31, 2004
Balance sheet data:		
Property and equipment, net	$ 285,642,439	$ 347,796,435
Total assets	391,691,179	437,263,192
Total debt	180,771,810	224,771,810
Total other liabilities	15,331,951	16,903,964
Shareholders’ equity	195,587,418	195,587,418
Statistical data:		
Number of hotels	6	7
Number of rooms	1,871	2,357
Occupancy(4)	67.8%	75.0%
ADR(4)	$ 184.22	$ 136.21
RevPAR(4)	$ 124.99	$ 102.11

(1) Funds from operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), is net income (loss) (determined in accordance with GAAP), excluding gains (losses) from sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures (which are calculated to reflect FFO on the same basis). The calculation of FFO may vary from entity to entity, thus our presentation of FFO may not be comparable to other similarly titled measures of other reporting companies. FFO is not intended to represent cash flows for the period. FFO has not been presented as an alternative to operating income, but as an indicator of operating performance, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

FFO is a supplemental industry-wide measure of REIT operating performance, the definition of which was first proposed by NAREIT in 1991 (and clarified in 1995, 1999 and 2002). Since the introduction of the definition by NAREIT, the term has come to be widely used by REITs. Historical GAAP cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical GAAP cost accounting to be insufficient by themselves. Accordingly, we believe FFO (combined with our primary GAAP presentations) help improve our stockholders' ability to understand our operating performance. We only use FFO as a supplemental measure of operating performance. The following is a reconciliation between net income (loss) and FFO:

	Historical	Pro Forma
	Period from May 6, 2004 to December 31, 2004	**Fiscal Year ended December 31, 2004**
Net loss	$ (2,117,625)	$ (9,677,359)
Depreciation and amortization	1,053,283	17,713,467
FFO	$ (1,064,342)	$ 8,036,108

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

	Historical	Pro Forma
	Period from May 6, 2004 to December 31, 2004	**Fiscal Year ended December 31, 2004**
Net loss	$ (2,117,625)	$ (9,677,359)
Interest expense	773,101	12,337,505
Income tax benefit	(1,582,113)	(2,993,596)
Depreciation and amortization	1,053,283	17,713,467
EBITDA	$ (1,873,354)	$ 17,380,017

(3) Fiscal year 2004 pro forma EBITDA includes the impact of approximately $7.2 million of non-cash straight-line ground rent expense recorded for the Bethesda Marriott Suites and Courtyard Manhattan/Fifth Avenue ground leases.

(4) Historical amounts relate to the period from hotel acquisition to December 31, 2004. Pro forma amounts relate to the fiscal year ended December 31, 2004.

RISK FACTORS

An investment in our common stock involves a number of risks. The risks described below represent the material risks you should carefully consider before making an investment decision. These risks may materially and adversely affect our business, liquidity, financial condition and results of operations, in which case the value of our common stock could decline significantly and you could lose all or a part of your investment. The risk factors described below are not the only risks that may affect us. Additional risks and uncertainties not presently known to us, or not identified below, may also materially and adversely affect our business, liquidity, financial condition and results of operations. Some statements in this prospectus, including statements in the following risk factors, constitute forward looking statements. Please refer to the section entitled "Forward Looking Statements."

Risks Related to Our Business, Growth Strategy and Investment Sourcing Relationship with Marriott

We were formed in May 2004 and commenced operations in July 2004 and have a limited operating history. Our management has no prior experience operating a REIT and limited experience operating a public company and therefore may have difficulty in successfully and profitably operating our business.

We are subject to the risks generally associated with the operation of a business with a limited operating history. Our management has no prior experience operating a REIT and limited experience operating a public company. As a result, we cannot assure you that we will be able to successfully operate as a REIT or execute our business strategies as a public company.

We cannot assure you that we will qualify, or remain qualified, as a REIT.

We currently plan to elect to be taxed as a REIT for our taxable year ending December 31, 2005 and subsequent taxable years, and we expect to qualify as a REIT for such taxable year and future taxable years, but we cannot assure you that we will qualify, or will remain qualified, as a REIT.

Because our senior executive officers will have broad discretion to invest the net proceeds of this offering, they may make investments for which the returns are substantially below expectations or which result in net operating losses.

Because we intend to use a substantial portion of the net proceeds of this offering to acquire properties under contract and under non-binding letters of intent, if we are not successful in acquiring these properties, our senior executive officers will have broad discretion, within the investment criteria established by our board of directors, to invest the net proceeds of this offering and to determine the timing of these investments. This discretion could result in investments that may not yield returns consistent with your expectations or which may result in net operating losses.

Failure of the hotel industry to continue to improve may adversely affect our ability to execute our business strategies, which, in turn, would adversely affect our ability to make distributions to our stockholders.

Our business strategy is focused in the hotel industry, and we cannot assure you that hotel industry fundamentals will continue to improve. Economic slowdown and world events outside our control, such as terrorism, have adversely affected the hotel industry in the recent past and if these events reoccur, may adversely affect the industry in the future. In the event conditions in the hotel industry do not continue to improve as we expect, our ability to execute our business strategies will be adversely affected, which, in turn, would adversely affect our ability to make distributions to our stockholders.

Most of our hotels are upper upscale and upscale hotels; the upper upscale segments of the hotel market are highly competitive and generally subject to greater volatility than other segments of the market, which could harm our profitability.

The upper upscale and upscale segments of the hotel business are highly competitive. Our hotels compete on the basis of location, room rates and quality, service levels, reputation and reservation systems, among many other factors. There are many competitors in our hotel chain scale segments, and many of these competitors have substantially greater marketing and financial resources than we have. This competition could reduce occupancy levels and rental revenue at our hotels, which would harm our operations. Also, over-building in the hotel industry may increase the number of rooms available and may decrease the average occupancy and room rates at our hotels. In addition, in periods of weak demand, profitability is negatively affected by the relatively high fixed costs of operating upper upscale and upscale hotels when compared to other classes of hotels.

We are experiencing and expect to continue to experience rapid growth and may not be able to adapt our management and operational systems to integrate the hotel properties we expect to invest in and reposition without unanticipated disruption or expense.

Since we commenced operations in July 2004, we have experienced rapid growth, acquiring seven hotels containing an aggregate of 2,357 rooms and have developed our business strategies based on the expectation of continued rapid growth. We cannot assure you that we will be able to adapt our management, administrative, accounting and operational systems, or hire and retain qualified operational staff to integrate and manage our investment in or repositioning of any hotel properties. Our failure to successfully integrate and manage acquisitions could have a material adverse effect on our financial condition and results of operations and our ability to make distributions to our stockholders.

We face competition for the acquisition of hotels and we may not be successful in identifying or completing hotel acquisitions that meet our criteria, which may impede our growth.

One component of our business strategy is expansion through acquisitions, and we may not be successful in identifying or completing acquisitions that are consistent with our strategy. We compete with institutional pension funds, private equity investors, REITs, hotel companies and others who are engaged in the acquisition of hotels. This competition for hotel investments may increase the price we pay for hotels and these competitors may succeed in acquiring those hotels that we seek to acquire. Furthermore, our potential acquisition targets may find our competitors to be more attractive suitors because they may have greater marketing and financial resources, may be willing to pay more or may have a more compatible operating philosophy. In addition, the number of entities competing for suitable hotels may increase in the future, which would increase demand for these hotels and the prices we must pay to acquire them. If we pay higher prices for hotels, our returns on investment and profitability may be reduced. Also, future acquisitions of hotels or hotel companies may not yield the returns we expect and may result in stockholder dilution.

Our success depends in part on the success of Marriott.

All of our current hotel properties are managed by Marriott. As a result, our success is dependent in part on the continued success of Marriott and its brands. If market recognition or the positive perception of these Marriott brands is reduced or compromised, the goodwill associated with Marriott branded hotels may be adversely affected and the results of operations of our hotel properties managed by Marriott may be adversely affected. Similarly, if Marriott experiences a general decline in its business, no longer has access to high quality investment opportunities or experiences a reduction in its access to hotel investment opportunities, our business strategies could be adversely affected.

Our investment sourcing relationship with Marriott is non-exclusive and based on a non-binding understanding that may be changed or terminated at any time, which could adversely affect our ability to execute our business strategies, which in turn, would adversely affect our ability to make distributions to our stockholders.

Our investment sourcing relationship with Marriott is non-exclusive and based on a non-binding understanding that creates limited legal obligations. Both parties are free to terminate or attempt to change our investment sourcing relationship at any time, without notice or explanation. While Marriott intends to provide us a “first look” at hotel investment opportunities known to it that are consistent with our stated business strategies, it will not provide us with opportunities where it is contractually or ethically prohibited from doing so, or where Marriott believes it would be damaging to existing Marriott relationships. The only limited legal obligation that will arise from this understanding is that we and Marriott have agreed for a two-year period beginning on July 1, 2004 not to enter into certain strategic agreements with other third parties. While we retain the right to utilize any hotel brand and any hotel management company, we believe that our utilization of brands or hotel management companies other than Marriott could adversely affect our investment sourcing relationship with Marriott. Termination of, or an adverse change in, our investment sourcing relationship with Marriott may limit our sources of acquisition and investment opportunities and therefore adversely affect our ability to execute our business strategies. Our inability to execute our business strategies would adversely affect our ability to make distributions to our stockholders.

Our investment sourcing relationship with Marriott may not result in the acquisition of any future hotel properties.

We believe that access to information about hotel property investment opportunities known to Marriott will provide us with a competitive advantage by providing us with knowledge about a potential investment opportunity before it has been widely marketed. Therefore, while we expect that this competitive advantage will lead to favorable investments by us, we cannot assure you that this “first look” will result in the acquisition of any future hotel properties or provide us with a competitive advantage. Additionally, as a result of our investment sourcing relationship with Marriott, we may not be aware, or in a position to take advantage, of favorable investment opportunities known to other hotel operators.

Marriott may encourage us to enter into transactions or hotel management agreements that are not in our best interests.

Pursuant to our investment sourcing relationship with Marriott, we have pursued, and intend to continue to pursue, hotel property investment opportunities referred to us by Marriott, and we intend to continue to utilize Marriott as our preferred hotel management company. It is possible that Marriott may encourage us to enter into transactions or hotel management agreements that, while in Marriott’s interests, are not in our best interests.

Our success depends in part on maintaining good relations with Marriott.

Our senior executive officers are familiar with the Marriott management, strategy and processes but do not have significant experience with other brand companies or hotel management companies. Over the last several years, Marriott has been involved in contractual and other disputes with owners of the hotel properties it manages. Although we currently maintain good relations with Marriott, we cannot assure you that disputes between us and Marriott regarding the management of our properties or the services it provides to us will not arise. Should our relationship with Marriott deteriorate, we believe that one of our competitive advantages could be eliminated. In particular, we may be denied access to information about which hotel properties may be available for sale and how such hotel properties may be repositioned. As a result, we would seek to grow by investing in hotel properties that are being competitively pursued in the marketplace, which may result in our paying higher prices for assets or being denied access to otherwise attractive hotel investment opportunities.

Our objectives may conflict from time to time with the objectives of Marriott, which conflict may adversely impact the operation and profitability of a hotel property.

Marriott and its affiliates own, operate or franchise properties other than our hotel properties, including properties that directly compete with our hotel properties. Therefore, Marriott may have short-term or long-term goals and objectives that conflict with our own, including with respect to the brands under which our hotel properties operate. These differences may be significant and may include the remaining term of any hotel management agreement, trade area restrictions with respect to competition by Marriott or its affiliates or differing policies, procedures or practices. As a result of these potentially differing objectives, Marriott may present to us, and we may invest in, hotel investment opportunities, and enter into management agreements, that are less favorable to us than other alternatives. These differing objectives could result in a deterioration in our relationship with Marriott and may adversely affect our ability to execute our business strategies, which in turn, would adversely affect our ability to make distributions to our stockholders.

Our results of operations are highly dependent on the management of our hotel properties by third-party hotel management companies.

In order to qualify as a REIT, we cannot operate our hotel properties or participate in the decisions that affect the daily operations of our hotel properties. Our TRS lessees may not operate these hotel properties and, therefore, they must enter into third-party hotel management agreements with one or more eligible independent contractors (including Marriott). Thus, third-party hotel management companies that enter into management contracts with our TRS lessees will control the daily operations of our hotel properties.

Under the terms of the hotel management agreements that we have entered into with Marriott (or its affiliates), or will enter into in the future with Marriott or other third-party hotel management companies, our ability to participate in operating decisions regarding our hotel properties will be limited. We currently rely and will continue to rely on these hotel management companies to adequately operate our hotel properties under the terms of the hotel management agreements. We do not have the authority to require any hotel property to be operated in a particular manner or to govern any particular aspect of its operations (for instance, setting room rates). Thus, even if we believe our hotel properties are being operated inefficiently or in a manner that does not result in satisfactory occupancy rates, ADRs and operating profits, we may not have sufficient rights under our hotel management agreements to enable us to force the hotel management company to change its method of operation. We can only seek redress if a hotel management company violates the terms of the applicable hotel management agreement with the TRS lessee, and then only to the extent of the remedies provided for under the terms of the hotel management agreement. Additionally, in the event that we need to replace any of our hotel management companies, we may be required by the terms of the hotel management agreement to pay substantial termination fees, and we may experience significant disruptions at the affected properties, which may adversely affect our ability to make distributions to our stockholders.

We will be subject to certain contractual obligations and covenants that may affect the value of our properties.

The hotel management agreements that we have entered into with Marriott (and those we expect to enter into in the future) contain provisions restricting our ability to dispose of our hotel properties in several respects. First, Marriott's hotel management agreements generally prohibit the sale of a hotel property to:

- certain competitors of Marriott;
- purchasers who are insufficiently capitalized; or
- purchasers who might jeopardize certain liquor or gaming licenses.

Second, our hotel management agreements require us to pay substantial base management fees to Marriott irrespective of whether the hotels are profitable and incentive management fees that represent a substantial portion of the net operating income from the particular hotel property.

Third, our hotel properties would have to be sold subject to the applicable hotel management agreement, which are long term. These requirements might deter some potential purchasers and could adversely impact the price realized from any such sale.

Our TRS lessee structure subjects us to the risk of increased operating expenses.

Our hotel management agreements require us to bear the operating risks of our hotel properties. Our operating risks include not only changes in hotel revenues and changes in our TRS lessees' ability to pay the rent due under the leases, but also increased operating expenses, including, among other things:

- wage and benefit costs;
- repair and maintenance expenses;
- energy costs;
- property taxes;
- insurance costs; and
- other operating expenses.

Any decreases in hotel revenues or increases in operating expenses could have a materially adverse effect on our earnings and cash flow.

Our ability to make distributions to our stockholders is subject to fluctuations in our financial performance, operating results and capital improvement requirements.

As a REIT, we generally will be required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, each year to our stockholders. In the event of future downturns in our operating results and financial performance or unanticipated capital improvements to our hotel properties, we may be unable to declare or pay distributions to our stockholders. The timing and amount of distributions are in the sole discretion of our board of directors, which will consider, among other factors, our actual results of operations, debt service requirements, capital expenditure requirements for our properties and our operating expenses. We may not generate sufficient cash in order to fund distributions to our stockholders.

Among the factors which could adversely affect our results of operations and our distributions to stockholders are reduced net operating profits or operating losses, increased debt service requirements and capital expenditures at our hotel properties. Among the factors which could reduce our net operating profits are decreases in hotel property revenues and increases in hotel property operating expenses. Hotel property revenue can decrease for a number of reasons, including increased competition from a new supply of rooms and decreased demand for rooms. These factors can reduce both occupancy and room rates at our hotel properties.

If we were to default on our secured debt in the future, the loss of any property securing the debt would harm our ability to satisfy other obligations.

We expect that a substantial portion of our debt will be secured by first mortgage deeds of trust on our properties. Although our existing secured debt documents do not contain cross-default provisions, using our properties as collateral increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property that secures any loans for which we are in default. For tax purposes, a foreclosure on any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure but would not receive any cash proceeds. As a result, we may be required to identify and utilize other sources of cash for distributions to our stockholders. If this occurs, our financial condition, cash flow and ability to satisfy our other debt obligations or ability to pay dividends may be adversely affected.

Future debt service obligations could adversely affect our operating results, may require us to liquidate our properties, may jeopardize our tax status as a REIT and limit our ability to make distributions to our stockholders.

We currently maintain a policy that limits our total debt level to no more than 60% of our aggregate property investment and repositioning costs. Our board of directors, however, may change or eliminate this debt limit, and/or the policy itself, at any time without the approval of our stockholders. In the future, we and our subsidiaries may be able to incur substantial additional debt, including secured debt. Incurring such debt could subject us to many risks, including the risks that:

- our cash flow from operations will be insufficient to make required payments of principal and interest;
- we may be more vulnerable to adverse economic and industry conditions;
- we may be required to dedicate a substantial portion of our cash flow from operations to the repayment of our debt, thereby reducing the cash available for distribution to our stockholders, funds available for operations and capital expenditures, future investment opportunities or other purposes;
- the terms of any refinancing may not be as favorable as the terms of the debt being refinanced; and
- the use of leverage could adversely affect our stock price and the ability to make distributions to our stockholders.

If we violate covenants in our future indebtedness agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on favorable terms, if at all.

If we obtain debt in the future and do not have sufficient funds to repay our debt at maturity, it may be necessary to refinance this debt through additional debt financing, private or public offerings of debt securities, or additional equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancings, increases in interest expense could adversely affect our cash flow, and, consequently, our cash available for distribution to our stockholders. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of our hotel properties on disadvantageous terms, potentially resulting in losses adversely affecting cash flow from operating activities. In addition, we may place mortgages on our hotel properties to secure our line of credit or other debt. To the extent we cannot meet these debt service obligations, we risk losing some or all of those properties to foreclosure. Additionally, our debt covenants could impair our planned strategies and, if violated, result in a default of our debt obligations.

Higher interest rates could increase debt service requirements on our floating rate debt and could reduce the amounts available for distribution to our stockholders, as well as reduce funds available for our operations, future investment opportunities or other purposes. We may obtain in the future one or more forms of interest rate protection—in the form of swap agreements, interest rate cap contracts or similar agreements—to “hedge” against the possible negative effects of interest rate fluctuations. However, we cannot assure you that any hedging will adequately mitigate the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations. In addition, we may be subject to risks of default by hedging counter-parties. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable.

We currently are negotiating with a number of financial institutions to obtain a secured revolving line of credit that may contain financial covenants that could limit our operations and our ability to make distributions to our stockholders.

Our anticipated secured revolving credit facility may contain financial and operating covenants, including net worth requirements, fixed charge coverage and debt ratios and other limitations on our ability to make distributions or other payments to our stockholders (other than those required by the Code), sell all or substantially all of our assets and engage in mergers, consolidations and certain acquisitions. Failure to meet our financial covenants could result from, among other things, changes in our results of operations, the incurrence of debt or changes in general economic conditions. Advances under our anticipated secured revolving credit facility may be subject to borrowing base requirements based on the hotels securing the facility. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders. Failure to comply with any of the covenants in our anticipated secured revolving credit facility could result in a default under one or more of our debt instruments. This could cause one or more of our lenders to accelerate the timing of payments and could harm our business, operations, financial condition or liquidity.

If we are unable to complete the acquisitions of the hotel properties we have under contract in a timely fashion or at all, we will have no designated use for a majority of the net proceeds of this offering and may experience delays in locating and securing attractive alternative investments.

We intend to use a substantial portion of the net proceeds from this offering to acquire hotel properties that we have under contract that we consider to be "probable" acquisitions. We cannot assure you that we will acquire any of these properties because each proposed acquisition is subject to a variety of factors including: (i) our completion of satisfactory due diligence and (ii) the satisfaction of closing conditions, including the receipt of third-party consents and approvals. If we do not complete these acquisitions within our anticipated time frame or at all, we may experience delays in locating and securing attractive alternative investments. These delays could result in our future operating results not meeting expectations and adversely affect our ability to make distributions to our stockholders. If we are unable to complete the purchase of the hotel properties that we have under contract, we will have no specific designated use for a majority of the net proceeds from this offering and investors will be unable to evaluate in advance the manner in which we invest the net proceeds or the economic merits of the properties we may ultimately acquire with the net proceeds.

We may be unable to acquire any of the hotel properties that we have under non-binding letters of intent, which could adversely affect our future operating results and our ability to make distributions to our stockholders.

As of the date of this prospectus, we have additional properties under non-binding letters of intent having an aggregate acquisition cost of approximately $. We also cannot assure you that we will acquire any of the properties under these letters of intent because the letters of intent are non-binding and each of these transactions is subject to a variety of factors including: (i) the willingness of the current property owner to proceed with a transaction, (ii) our completion of satisfactory due diligence, (iii) the negotiation and execution of a mutually acceptable binding definitive purchase agreement and hotel management agreement (or assumption of an existing hotel management agreement) and (iv) the satisfaction of closing conditions, including the receipt of third-party consents and approvals. Accordingly, we cannot assure you that we will be in a position to acquire any of the properties under non-binding letters of intent following this offering. If we are unsuccessful in completing the acquisition of additional hotel properties in the future, our future operating results will not meet expectations and our ability to make distributions to our stockholders will be adversely affected.

Our ownership of properties through ground leases exposes us to the loss of such properties upon breach or termination of the ground leases.

We acquired interests in three of our current hotel properties by acquiring a leasehold interest in land underlying the hotel property and we may acquire additional hotel properties in the future through the purchase of hotel properties subject to ground leases. As lessee under ground leases, we would be exposed to the possibility of losing the hotel property upon termination, or an earlier breach by us, of the ground lease.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturer's financial condition and disputes between us and our co-venturers.

We may co-invest in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In this event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt, fail to fund their share of required capital contributions, make dubious business decisions or block or delay necessary decisions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our senior executive officers to manage our day-to-day operations and strategic business direction. The loss of any of their services could have an adverse effect on our operations.

We have entered into an agreement with each of our senior executive officers that provides each of them benefits in the event his employment is terminated by us without cause, by him for good reason, or under certain circumstances following a change of control of our company.

We have entered into an agreement with each of our senior executive officers, except Mr. Mahoney, that provides each of them with severance benefits if his employment is terminated by us without cause, by him for good reason, or with respect to all our senior executive officers, under certain circumstances following a change of control of our company. Certain of these benefits and the related tax indemnity could prevent or deter a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

A portion of our revenues may be attributable to operations outside of the United States, which will subject us to different legal, monetary and political risks, as well as currency exchange risks, and may cause unpredictability in a significant source of our cash flows that could adversely affect our ability to make distributions to our stockholders.

We may acquire selective hotel properties outside of the United States, although we do not expect our international assets to exceed 10% of our total assets. International investments and operations generally are subject to various political and other risks that are different from and in addition to risks in U.S. investments, including:

- the enactment of laws prohibiting or restricting the foreign ownership of property;
- laws restricting us from removing profits earned from activities within the foreign country to the United States, including the payment of distributions, i.e., nationalization of assets located within a country;
- variations in the currency exchange rates, mostly arising from revenues made in local currencies;
- change in the availability, cost and terms of mortgage funds resulting from varying national economic policies;
- changes in real estate and other tax rates and other operating expenses in particular countries; and
- more stringent environmental laws or changes in such laws.

In addition, currency devaluations and unfavorable changes in international monetary and tax policies could have a material adverse effect on our profitability and financing plans, as could other changes in the international regulatory climate and international economic conditions. Liabilities arising from differing legal, monetary and political risks as well as currency fluctuations could adversely affect our financial condition, operating results and our ability to make distributions to our stockholders. In addition, the requirements for qualifying as a REIT limit our ability to earn gains, as determined for federal income tax purposes, attributable to changes in currency exchange rates. These limitations may significantly limit our ability to invest outside of the United States or impair our ability to qualify as a REIT.

Any properties we invest in outside of the United States may be subject to foreign taxes.

In the future, we may invest in hotel properties in foreign countries. Those foreign countries will impose taxes on our hotel properties and our operations within their jurisdictions. To the extent possible, we will structure our investments and activities to minimize our foreign tax liability, but we will likely incur foreign taxes with respect to non-U.S. properties. Moreover, the requirements for qualification as a REIT may preclude us from always using the structure that minimizes our foreign tax liability. Furthermore, because we are a REIT, we and our stockholders will derive little or no benefit from the foreign tax credits arising from the foreign taxes we pay. As a result, foreign taxes we pay will reduce our income and available cash flow from our foreign hotel properties, which, in turn, could reduce our ability to make distributions to our stockholders.

Risks Related to the Hotel Industry

Our ability to make distributions to our stockholders may be affected by factors unique to the hotel industry.

Operating Risks. Our hotel properties are and will continue to be subject to various operating risks common to the hotel industry, many of which are beyond our control, including:

- competition from other hotel properties that may be located in our markets, some of which may have greater marketing and financial resources than us;
- an over-supply or over-building of hotel properties in our markets, which could adversely affect occupancy rates and revenues at our properties;
- dependence on business and commercial travelers and tourism;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- necessity for periodic capital reinvestment to repair and upgrade our hotel properties;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- adverse effects of a downturn in the hotel industry; and
- risks generally associated with the ownership of hotel properties and real estate, as we discuss in detail below.

These factors could reduce the net operating profits of our TRS lessees, which in turn could adversely affect our ability to make distributions to our stockholders.

Competition for Acquisitions. We compete for hotel investment opportunities with competitors that may have a different appetite for risk than we do or have substantially greater financial resources than we do. This competition may generally limit the number of suitable investment opportunities offered to us and may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new hotel properties on attractive terms.

Seasonality of Hotel Industry. Some hotel properties that we have acquired or may acquire in the future have business that is seasonal in nature. This seasonality can be expected to cause quarterly fluctuations in our revenues. Our quarterly earnings may be adversely affected by factors outside our control, including weather conditions and poor economic factors. As a result, we may have to enter into short-term borrowings in certain quarters in order to offset these fluctuations in revenues and to make distributions to our stockholders.

Investment Concentration in Single Industry. Our entire business is related to the hotel industry. Therefore, a downturn in the hotel industry, in general, will have a material adverse effect on our hotels' revenues and the net operating profits of our TRS lessees and amounts available for distribution to our stockholders.

Capital Expenditures. Our hotel properties have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. These capital improvements may give rise to the following risks:

- construction cost overruns and delays;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on affordable terms;
- uncertainties as to market demand or a loss of market demand after capital improvements have begun; and
- disputes with franchisors/managers regarding compliance with relevant management/franchise agreements.

The costs of these capital improvements could adversely affect our financial condition and amounts available for distribution to our stockholders.

The development of hotel properties is subject to timing, budgeting and other risks that may adversely affect our operating results and our ability to make distributions to stockholders.

We may selectively engage in new developments of hotel properties as market conditions warrant. Developing hotel properties involves a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project.

We cannot assure you that any development project will be completed on time or within budget. Our inability to complete a project on time or within budget may adversely affect our operating results and our ability to make distributions to our stockholders.

The hotel industry is capital intensive and our inability to obtain financing could limit our growth.

Our hotel properties require periodic capital expenditures and renovations to remain competitive and the acquisition of additional hotel properties requires significant capital expenditures. We may not be able to fund capital improvements or acquisitions solely from cash provided from our operating activities because we generally must distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, each year to maintain our REIT tax status. As a result, our ability to fund capital expenditures, or investments through retained earnings, is very limited. Consequently, we will rely upon the availability of debt or equity capital to fund our investments and capital improvements, but these sources of funds may not be available on favorable terms and conditions. Neither our charter nor our bylaws limits the amount of debt that we can incur; however, we may not be able to obtain additional equity or debt financing on favorable terms, if at all.

The events of September 11, 2001, recent economic trends, the military action in Afghanistan and Iraq and the possibility of future terrorist acts and military action have adversely affected the hotel industry generally, and similar future events could adversely affect the industry in the future.

Before September 11, 2001, hotel owners and operators had begun experiencing declining RevPAR, as a result of the slowing U.S. economy. The terrorist attacks of September 11, 2001 and the after-effects (including the possibility of more terror attacks in the United States and abroad), combined with economic trends and the U.S.-led military action in Afghanistan and Iraq, substantially reduced business and leisure travel and hotel industry RevPAR generally. If the economy once again declines or there is a future terrorist attack in the United States, our business may be materially and adversely affected. We cannot predict the extent to which these factors will directly or indirectly impact your investment in our common stock, the hotel industry or our operating results in the future. Declining RevPAR at hotels that we acquire would reduce our net income and restrict our ability to fund capital improvements at our hotels and our ability to make distributions to stockholders necessary to maintain our status as a REIT. Additional terrorist attacks, acts of war or similar events could have further material adverse effects on the markets on which shares of our common stock will trade, the hotel industry at large and our operations in particular.

Potential future outbreaks of contagious diseases could have a material adverse effect on our revenues and results of operations due to decreased travel, especially in areas significantly affected by the disease.

In 2003, the outbreak of Severe Acute Respiratory Syndrome, or SARS, drastically decreased travel in areas significantly affected by the disease. Potential future outbreaks of SARS or other contagious diseases could adversely impact travel to areas where we have hotel properties, which could have a material adverse effect on our revenues or results of operations.

We place significant reliance on technology.

The hotel industry continues to demand the use of sophisticated technology and systems including technology utilized for property management, procurement, reservation systems, customer loyalty programs, distribution and guest amenities. These technologies can be expected to require refinements and there is the risk that advanced new technologies will be introduced. If various systems and technologies become outdated or new technology is required, we may not be able to replace or introduce them as quickly as our competition or within budgeted costs for such technology. Further, we may not achieve the benefits that we anticipated from any new technology or system.

We may be adversely affected by increased use of business-related technology which may reduce the need for business-related travel.

The increased use of teleconference and video-conference technology by businesses could result in decreased business travel as companies increase the use of technologies that allow multiple parties from different locations to participate at meetings without traveling to a centralized meeting location. To the extent that such technologies play an increased role in day-to-day business and the necessity for business-related travel decreases, demand for hotel properties may decrease and our profitability may be adversely affected.

Uninsured and underinsured losses could adversely affect our operating results and our ability to make distributions to our stockholders.

We have acquired and intend to maintain comprehensive insurance on each of our hotel properties, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by hotel property owners. We cannot assure you that such coverage will be available at reasonable rates. Various types of catastrophic losses, like earthquakes and floods and losses from foreign terrorist activities such as those on September 11, 2001 or losses from domestic terrorist activities such as the Oklahoma City bombing may not be insurable or may not be insurable on reasonable economic terms. Future lenders may require such insurance and our failure to obtain such insurance could constitute a default under loan agreements. Depending on our access to capital, liquidity and the value of the properties securing the affected loan in relation to the balance of the loan, a default could have a material adverse effect on our results of operations and ability to obtain future financing.

In the event of a substantial loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a hotel property, as well as the anticipated future revenue from that particular hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position with regard to the damaged or destroyed property.

Noncompliance with governmental regulations could adversely affect our operating results.

Environmental Matters

Our hotel properties are and will be subject to various federal, state and local environmental laws. Under these laws, courts and government agencies may have the authority to require us, as owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner’s ability to borrow funds using the property as collateral or to sell the property. Under the environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment. A person that arranges for the disposal or treatment, or transports for disposal or treatment, a hazardous substance at a property owned by another person may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos while staying in a hotel may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. For example, certain laws require a business using chemicals (such as swimming pool chemicals at a hotel property) to manage them carefully and to notify local officials that the chemicals are being used.

We could be responsible for the costs associated with a contaminated property. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our stockholders. We cannot assure you that future laws or regulations will not impose material environmental liabilities or that the current environmental condition of our hotel properties will not be affected by the condition of the properties in the vicinity of our hotel properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

We may face liability regardless of:

- our knowledge of the contamination;
- the timing of the contamination;
- the cause of the contamination; or
- the party responsible for the contamination of the property.

Although we have taken and will take commercially reasonable steps to assess the condition of our properties, there may be unknown environmental problems associated with our properties. If environmental contamination exists on our properties, we could become subject to strict, joint and several liability for the contamination by virtue of our ownership interest. In addition, we are obligated to indemnify our lenders for any liability they may incur in connection with a contaminated property.

The presence of hazardous substances on a property may adversely affect our ability to sell the property and could cause us to incur substantial remediation costs. The discovery of environmental liabilities attached to our properties could have a material adverse effect on our results of operations and financial condition and our ability to pay dividends to our stockholders.

Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or private litigants winning damages. If we are required to make substantial modifications to our hotel properties, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations and ability to make distributions to our stockholders could be adversely affected.

General Risks Related to the Real Estate Industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties or investments in our portfolio in response to changing economic, financial and investment conditions may be limited. In addition, because all of our hotel management agreements contain restrictions on our ability to dispose of our hotel properties, are typically long-term and do not terminate in the event of a sale, our ability to sell hotel properties may be further limited. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of God, including earthquakes, floods and other natural disasters and acts of war or terrorism, including the consequences of terrorist acts such as those that occurred on September 11, 2001, which may result in uninsured losses.

We may decide to sell our hotel properties in the future. We cannot predict whether we will be able to sell any hotel property or investment for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property or loan.

We may be required to expend funds to correct defects or to make improvements before a hotel property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a hotel property, we may agree to lock-out provisions that materially restrict us from selling that hotel property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that hotel property. These facts and any others that would impede our ability to respond to adverse changes in the performance of our hotel properties could have a material adverse effect on our operating results and financial condition, as well as our ability to make distributions to stockholders.

Increases in our property taxes could adversely affect our ability to make distributions to our stockholders.

Each of our hotel properties is subject to real and personal property taxes. These taxes on our hotel properties may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. If property taxes increase, our ability to make distributions to our stockholders could be adversely affected.

Our hotel properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of mold to which our hotel guests or employees could be exposed at any of our properties could require us to undertake a costly remediation program to contain or remove the mold from the affected property, which would reduce our cash available for distribution. In addition, exposure to mold by our guests or employees, management company employees or others could expose us to liability if property damage or health concerns arise.

Risks Related to Our Organization and Structure

Our failure to qualify as a REIT under the federal tax laws will result in adverse tax consequences.

The federal income tax laws governing REITs are complex.

We intend to operate in a manner that will qualify us as a REIT under the federal income tax laws beginning January 1, 2005. The REIT qualification requirements are extremely complex, however, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in operating so that we can qualify as a REIT. At any time, new laws, interpretations, or court decisions may change the federal tax laws or the federal income tax consequences of our qualification as a REIT. We have not applied for or obtained a ruling from the Internal Revenue Service that we will qualify as a REIT.

Failure to qualify as a REIT would subject us to federal income tax.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income. We might need to borrow money or sell assets in order to pay any such tax. If we cease to be a REIT, we no longer would be required to distribute most of our taxable income to our stockholders. Unless we were entitled to relief under certain federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

Failure to make required distributions would subject us to tax.

In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws. As a result, for example, of differences between cash flow and the accrual of income and expenses for tax purposes, or of nondeductible expenditures, our REIT taxable income in any given year could exceed our cash available for distribution. Accordingly, we may be required to borrow money or sell assets to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the distribution requirement and to avoid federal corporate income tax and the 4% nondeductible excise tax in a particular year.

The formation of our TRS lessees increases our overall tax liability.

Our TRS lessees and any other of our domestic TRSs are subject to federal and state income tax on their taxable income, which in the case of our TRS lessees currently consists and generally will continue to consist of revenues from the hotel properties leased by our TRS lessees plus, in certain cases, key money payments (amounts paid to us by a hotel management company in exchange for the right to manage a hotel property we acquire), net of the operating expenses for such properties and rent payments to us. Accordingly, although our ownership of our TRS lessees allows us to participate in the operating income from our hotel properties in addition to receiving rent, that operating income is fully subject to income tax. Such taxes could be substantial. The after-tax net income of our TRS lessees or other TRSs is available for distribution to us.

We incur a 100% excise tax on transactions with our TRS lessees or other TRSs that are not conducted on an arm's-length basis. For example, to the extent that the rent paid by one of our TRS lessees exceeds an arm's-length rental amount, such amount potentially is subject to the excise tax. We intend that all transactions between us and our TRS lessees will continue to be conducted on an arm's-length basis and, therefore, that the rent paid by our TRS lessees to us will not be subject to the excise tax.

Consequences of our operating as a C corporation for 2004.

As a C corporation, for our first taxable year ended December 31, 2004, we incurred federal and state income taxes of approximately $0.9 million. In addition, because we were a C corporation for our taxable year ended December 31, 2004, we generally will be subject to a corporate-level tax on a taxable disposition of any appreciated asset we hold as of the effective date of our REIT election which is expected to be January 1, 2005, which tax could reduce the amount that we could otherwise distribute to our stockholders. Specifically, if we dispose of a built-in-gain asset in a taxable transaction prior to tenth anniversary of the effective date of our REIT election, we would be subject to tax at the highest regular corporate rate (currently 35%) on the lesser of the gain recognized and the asset's built-in-gain.

In addition, to qualify as a REIT, we may not have, at the end of any taxable year, any undistributed earnings and profits accumulated in any non-REIT taxable year. Our non-REIT earnings and profits will include any earnings and profits we accumulated before the effective date of our REIT election. For our first taxable year ended December 31, 2004, we had approximately $2.3 million of non-REIT earnings and profits. We expect to generally distribute sufficient earnings and profits before December 31, 2005 to eliminate any 2004 non-REIT earnings and profits and to distribute (and avoid tax on) our 2005 income.

We could lose our REIT status if Marriott or another hotel management company with which we enter into hotel management agreements fails to qualify as an "eligible independent contractor" under the Code.

The hotel properties leased by our TRS lessees must be operated by an "eligible independent contractor" as defined in the Code in order for the rental income from our TRS lessees to qualify as rents from real property under the applicable REIT income tests. In order to qualify as an eligible independent contractor, a hotel management company must satisfy certain requirements, including that the hotel management company may not own, directly or indirectly, more than 35% of our stock and not more than 35% of the hotel management company may be owned, directly or indirectly, by one or more persons owning 35% or more of our stock. For purposes of determining whether these ownership limits are satisfied, actual ownership as well as constructive ownership under the rules of Section 318 of the Code (with certain modifications) is taken into account. Each of our TRS lessees has hired and we anticipate will continue to hire a hotel management company that we expect to qualify as an eligible independent contractor to manage and operate the hotel properties leased by our TRS lessee, and Marriott intends to qualify as an eligible independent contractor. However, constructive ownership under Section 318 of the Code resulting, for example, from relationships between Marriott or another hotel management company and any of our stockholders could impact Marriott's or such other hotel management company's ability to satisfy the applicable ownership limits. Discovery of any such relationship could disqualify Marriott or another hotel management company as an eligible independent contractor, which could in turn cause us to fail to qualify as a REIT. If we fail to qualify for or lose our status as a REIT, we would be subject to federal income tax on our taxable income. See "Federal Income Tax Considerations." In addition, in such event, the hotel management agreements that we expect to enter into with Marriott may not be terminable, thereby making it impossible to avoid such disqualification. Consistent with hotel management agreements already in place with Marriott, we do not expect that our hotel management agreements with Marriott will provide us with protection from such an occurrence.

Plans should consider ERISA risks of investing in our common stock.

ERISA and Section 4975 of the Code prohibit certain transactions that involve (i) certain pension, profit-sharing, employee benefit, or retirement plans or individual retirement accounts and (ii) any person who is a "party in interest" or "disqualified person" with respect to such plan. Consequently, the fiduciary of a plan contemplating an investment in our common stock should consider whether our company, any other person associated with the issuance of our common stock or any affiliate of the foregoing is or may become a "party in interest" or "disqualified person" with respect to the plan and, if so, whether an exemption from such prohibited transaction rules is applicable. See "ERISA Considerations."

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

At any time, the federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or our stockholders.

Provisions of our charter may limit the ability of a third party to acquire control of our company.

Our charter provides that no person may beneficially own more than 9.8% of our common stock or of the value of the aggregate outstanding shares of our capital stock, except certain "look-through entities," such as mutual funds, which may beneficially own up to 15% of our common stock or of the value of the aggregate outstanding shares of our capital stock. Our board of directors has waived this ownership limitation for Marriott Hotel Services, Inc. and certain institutional investors in the past and may waive it again in the future so long as our board of directors determines these waivers should not affect our REIT qualification. These ownership limitations may prevent an acquisition of control of our company by a third party without our board of directors' approval, even if our stockholders believe the change of control is in their best interests. Our charter authorizes our board of directors to issue up to 100,000,000 shares of common stock and up to 10,000,000 shares of preferred stock, to classify or reclassify any unissued shares of common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified shares. Issuances of additional shares of stock may have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium to the market price of our common stock or otherwise be in our stockholders' best interests.

Provisions of Maryland law may limit the ability of a third party to acquire control of our company.

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests, including:

- “business combination” provisions that, subject to certain limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and special stockholder voting requirements on these combinations; and
- “control share” provisions that provide that “control shares” of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL, by resolution of our board of directors and, in the case of the control share provisions of the MGCL, pursuant to a provision in our bylaws. However, our board of directors may by resolution opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to take certain actions that may have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium to the market price of our common stock or otherwise be in our stockholders’ best interests.

Our ownership limitations may restrict or prevent you from engaging in certain transfers of our common stock.

In order to maintain our REIT qualification, among other requirements, no more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the federal income tax laws to include various kinds of entities) during the last half of any taxable year (other than the first year for which a REIT election is made). In addition, the REIT rules generally prohibit a manager of one of our hotel properties from owning, directly or indirectly, more than 35% of our stock and a person who holds 35% or more of our stock from also holding, directly or indirectly, more than 35% of any such hotel management company. To qualify for and preserve REIT status, our charter contains an aggregate share ownership limit and a common share ownership limit. Generally, any shares of our stock owned by affiliated owners will be added together for purposes of the aggregate share ownership limit, and any shares of common stock owned by affiliated owners will be added together for purposes of the common share ownership limit.

If anyone transfers or owns shares in a way that would violate the aggregate share ownership limit or the common share ownership limit, or prevent us from continuing to qualify as a REIT under the federal income tax laws, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the aggregate share ownership limit or the common share ownership limit. If this transfer to a trust fails to prevent such a violation or our continued qualification as a REIT, then we will consider the initial intended transfer or ownership to be null and void from the outset. The intended transferee or owner of those shares will be deemed never to have owned the shares. Anyone who acquires or owns shares in violation of the aggregate share ownership limit, the common share ownership limit or the other restrictions on transfer or ownership in our charter bears the risk of a financial loss when the shares are redeemed or sold if the market price of our stock falls between the date of purchase and the date of redemption or sale.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. In order to meet these tests, we may be required to forego attractive business or investment opportunities. Thus, compliance with the REIT requirements may hinder our ability to operate solely to maximize profits.

The ability of our board of directors to revoke our REIT status without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Risks Related to this Offering

We cannot assure you that a public market for our common stock will develop.

Prior to this offering, there has not been a public market for our common stock and, even though we intend to apply to list the shares of our common stock on the NYSE, we cannot assure you that an active trading market for the shares of common stock offered hereby will develop or, if developed, that any such market will be sustained. In the absence of an active public trading market, an investor may be unable to liquidate an investment in our common stock. The initial public offering price has been determined by us and the underwriters. We cannot assure you that the price at which the shares of common stock will sell in the public market after the closing of this offering will not be lower than the price at which they are sold by the underwriters.

The market price of our equity securities may vary substantially.

The trading prices of equity securities issued by REITs have historically been affected by changes in market interest rates. One of the factors that may influence the price of our common stock or preferred stock in public trading markets is the annual yield from distributions on our common stock or preferred stock as compared to yields on other financial instruments. An increase in market interest rates, or a decrease in our distributions to stockholders, may lead prospective purchasers of our stock to demand a higher annual yield, which could reduce the market price of our equity securities.

Other factors that could affect the market price of our equity securities include the following:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in the hotel or real estate industries;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- fluctuations in stock market prices and volumes;
- issuances of common stock or other securities in the future;
- the addition or departure of key personnel; and
- announcements by us or our competitors of acquisitions, investments or strategic alliances.

The number of shares available for future sale could cause our share price to decline.

Upon the completion of this offering, we will have shares of common stock outstanding. We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the market price of our common stock. Sales of substantial numbers of shares of our common stock in the public market, or the perception that such sales might occur, could adversely affect the market price of our common stock. In addition, under registration rights agreements, we have granted holders of the 20,850,000 shares of our common stock issued in our July 2004 private placement, including 3,000,000 shares purchased by Marriott directly from us, the right to have their shares registered for resale under the Securities Act. If any or all of these holders sell a large number of securities in the public market, the sale could reduce the trading price of our common stock and could impede our ability to raise capital in the future. We also may issue from time to time additional common stock or units of our operating partnership in connection with the acquisition of properties and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of common stock or the perception that these sales could occur may adversely effect the prevailing market price for our common stock. In addition, the sale of these shares could impair our ability to raise capital through a sale of additional equity securities.

The exercise of the underwriter's over-allotment option, any future redemption of our operating partnership units for common stock, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of our common stock. In addition, future issuances of our common stock may be dilutive to existing stockholders.

Lock-up agreements may not limit the number of shares of common stock sold into the market.

All of our executive officers, except for Mr. Mahoney and Marriott, subject to limited exceptions, have agreed to be bound by lock-up agreements that prohibit them from selling, pledging, transferring or otherwise disposing of any of our common stock or securities convertible into our common stock that they own or acquire for 180 days after the effective date of the resale shelf registration statement that we are required to file pursuant to the registration rights agreement. In addition, Mr. Mahoney will enter into a lock-up agreement in connection with this offering.

In addition, the underwriters of this offering will request that all of our other stockholders agree pursuant to the registration rights agreement not to dispose of any of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus, and are not selling in this offering, until 60 days after the effective date of this prospectus, except in specified circumstances. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters, may, in its discretion, release all or any portion of the common stock subject to the lock-up agreements with our directors and officers at any time without notice or stockholder approval, in which case, our other stockholders would also be released from the restrictions pursuant to the registration rights agreement. If the restrictions under the lock-up agreements and the registration rights agreement are waived or terminated, up to approximately __________ shares of common stock will be available for sale into the market, subject only to applicable securities rules and regulations, which could reduce the market price for our common stock.

Investors in this offering will experience immediate dilution in the book value per share.

The initial public offering price of our common stock is substantially higher than what our net tangible book value per share will be immediately after this offering. Purchasers of our common stock in this offering will incur immediate dilution of approximately $ in net tangible book value per share of our common stock, based on the midpoint of the price range for the shares to be sold in this offering.

We cannot assure you that we will be able to make distributions to our stockholders in the future.

We intend to make annual distributions on a regular quarterly basis in sufficient amounts so as to avoid paying corporate income tax and excise tax on our earnings (other than the earnings of our taxable REIT subsidiary and TRS lessees, which are subject to tax at regular corporate rates). This, along with other factors, should enable us to qualify for the tax benefits accorded to a REIT under the Code. However, our ability to pay distributions may be adversely affected by the risk factors described in this prospectus. All distributions are made at the discretion of our board of directors and will depend upon our earnings, our financial condition, maintenance of our REIT status and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will be able to pay distributions in the future. In addition, some of our distributions may include a return of capital.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell our common stock is our dividend rate as a percentage of the market price of our common stock, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher dividend or interest rate on our common stock or seek securities paying higher dividends or interest. The market price of our common stock likely will be strongly affected by the earnings and return that we derive from our investments and income with respect to our properties and our related distributions to stockholders, and not from the market value or underlying appraised value of the properties or investments themselves. As a result, interest rate fluctuations and capital market conditions can affect the market price of our common stock. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common stock could decrease because potential investors may require a higher dividend yield on our common stock as market rates on interest-bearing securities, such as bonds, rise. In addition, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay dividends.

Future offerings of debt securities or preferred stock, which would be senior to our common stock upon liquidation and for the purposes of distributions, may cause the market price of our common stock to decline.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred stock or common stock. We will be able to issue additional shares of common stock or preferred stock without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Preferred stock and debt, if issued, could have a preference on liquidating distributions or a preference on dividend or interest payments that could limit our ability to make a distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their interest.

FORWARD LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “should,” “seek,” “approximately,” “intend,” “plan,” “pro forma,” “estimate” or “anticipate” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans, market statistics, or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the factors discussed in this prospectus, including without limitation those set forth under the sections titled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Our Business,” “Hotel Industry” and “Our Properties”;
- adverse economic or real estate developments in our markets;
- general economic conditions;
- the degree and nature of our competition;
- increased interest rates and operating costs;
- our failure to obtain necessary outside financing;
- difficulties in identifying properties to acquire and completing acquisitions;
- availability of and our ability to retain qualified personnel;
- our failure to qualify or maintain our status as a REIT;
- changes in our business or investment strategy;
- availability, terms and deployment of capital;
- general volatility of the capital markets and the market price of our common stock;
- environmental uncertainties and risks related to natural disasters;
- changes in foreign currency exchange rates; and
- changes in real estate and zoning laws and increases in real property tax rates.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. You should carefully consider this risk when you make an investment decision concerning our common stock. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled “Risk Factors.”

MARKET DATA

Market data and forecasts used in this prospectus have been obtained from independent industry sources as well as from research reports prepared for other purposes, including market information compiled by Smith Travel Research, Inc. which, among other things, provides research reports and forecasts on the performance of the hotel and travel industry. We have not independently verified the data obtained from these sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

USE OF PROCEEDS

We will issue shares of our common stock if the underwriters' over-allotment option is not exercised and shares of our common stock if the underwriters' over-allotment option is exercised in full.

After deducting the underwriting discount and commissions and estimated expenses of this offering, we expect net proceeds from this offering of approximately $ million if the underwriters' over-allotment option is not exercised, or approximately $ million if the underwriters' over-allotment option is exercised in full. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

We will contribute the net proceeds to our operating partnership. Our operating partnership intends to use the net proceeds received from us as follows:

- approximately $ million to retire or pay down outstanding principal on the following indebtedness, with such principal paydowns based upon the outstanding principal as of , 2005;
    - approximately $20.0 million of debt that bears interest at LIBOR plus 2.40%, is prepayable without penalty in October 2005 and matures in October 2006, incurred in connection with the acquisition of The Lodge at Sonoma Renaissance Resort & Spa;
    - approximately $23.0 million of debt that bears interest at LIBOR plus 2.70%, is prepayable without penalty in December 2005 and matures in December 2006, incurred in connection with the acquisition of Courtyard Manhattan/Fifth Avenue;
    - approximately $44.0 million of debt that bears interest at LIBOR plus 2.50%, is prepayable without penalty prior to July 2005 and matures in January 2007, incurred in connection with the acquisition of Torrance Marriott;
- approximately $4.1 million needed to complete the planned renovations of our initial hotels;
- approximately $ to fund the purchase and renovation of those acquisition properties currently under contract as of the date of this prospectus that we consider probable acquisitions; and
- the remainder for general corporate and working capital purposes, including possible future acquisitions.

Pending these uses, we intend to invest the net proceeds in interest-bearing, short-term investment grade securities or money-market accounts that are consistent with our intention to qualify as a REIT. Such investments may include, for example, government and government agency certificates, interest-bearing bank deposits and mortgage loan participation.

DIVIDEND POLICY AND DISTRIBUTIONS

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

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

See “Federal Income Tax Considerations.” However, the actual amount, timing and frequency of our distributions will be at the discretion of, and authorized by, our board of directors and will depend on our actual results of operations and a number of other factors, including:

- the timing of our investment of the net proceeds of this offering;
- the rent received from our TRS lessees;
- our debt service requirements;
- capital expenditure requirements for our hotel properties;
- unforeseen expenditures at our hotel properties;
- our taxable income and the taxable income of our TRS lessees;
- the annual distribution requirement under the REIT provisions of the Code;
- our operating expenses and the operating expenses of our TRS lessees; and
- other factors that our board of directors may deem relevant.

In addition, our ability to make distributions to our stockholders will depend, in part, upon our receipt of distributions from our operating partnership, DiamondRock Hospitality Limited Partnership, which will depend upon receipt of lease payments from our TRS lessees, and, in turn, upon the management of our hotel properties by third party hotel management companies, who will be engaged to operate our hotels. To the extent not inconsistent with maintaining our REIT status, we may retain accumulated earnings of our TRS lessees in those subsidiaries. Dividend distributions to our stockholders will generally be taxable to our stockholders as ordinary income to the extent of our current or accumulated earnings and profits. Because a significant portion of our investments are equity ownership interests in hotel properties, which results in depreciation and non-cash changes against our income, a portion of our distributions may constitute a tax-free return of capital. Finally, we cannot assure you that we will have cash available for distributions to our stockholders.

CAPITALIZATION

The following table sets forth:

- our actual capitalization as of December 31, 2004; and
- our pro forma capitalization, as adjusted to give effect to (i) the acquisition of our Torrance Marriott hotel property and the incurrence of debt to finance the acquisition on January 5, 2005; (ii) the acquisition of the properties under contract that we consider probable acquisitions; and (iii) the sale of our common stock in this offering, excluding shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option at an assumed public offering price of $ per share, and the application of the net proceeds as described in "Use of Proceeds."

	As of December 31, 2004	
	Actual	**Pro Forma**
Cash	$ 76,983,107	$
Secured Revolving Credit Facility(1)	—	
Total Debt	180,771,810	
Stockholders' equity		
Preferred stock, $.01 par value per share, 10,000,000 shares authorized, no shares issued and outstanding	—	
Common stock, $.01 par value per share, 100,000,000 shares authorized, 21,020,100 shares issued and outstanding; shares issued and outstanding, as adjusted after this offering(2)	210,201	
Additional paid-in capital	197,494,842	
Accumulated deficit	(2,117,625)	
Total stockholders' equity	195,587,418	
Total capitalization	$ 376,359,228	$

(1) For a description of our anticipated secured revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."
(2) Excludes shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option and shares of common stock available for future awards under our equity incentive plan.

DILUTION

Net Tangible Book Value

At December 31, 2004, we had a combined net tangible book value of approximately $195.6 million, or $9.30 per share ($9.00 per share giving effect to the grants of restricted shares). Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of our common stock outstanding.

Dilution After This Offering

Purchasers of our common stock will experience an immediate dilution of the net tangible book value of our common stock from the initial public offering price. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of common stock in this offering and the net tangible book value per share of common stock immediately after this offering and the application of the estimated net offering proceeds. After giving effect to the sale of the shares of our common stock offered by us under this prospectus at an assumed initial public offering price of $ per share and the deduction of underwriting discounts and estimated offering expenses, our pro forma net tangible book value at December 31, 2004 would have been $ million, or approximately $ per share of our common stock. This amount represents an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share from an assumed public offering price of $ per share of our common stock to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share	$
Pro forma net tangible book value per share at December 31, 2004(1)	
Increase in pro forma net tangible book value per share attributable to this offering(2)	
Pro forma net tangible book value per share after this offering(3)	$
Dilution in pro forma net tangible book value per share to new investors(4)	$

(1) Net tangible book value per share of common stock is determined by dividing net tangible book value at December 31, 2004 by the number of shares of common stock outstanding prior to this offering.
(2) After deducting underwriting discounts, commissions and other expenses of this offering.
(3) Based on the pro forma net tangible book value attributable to common stockholders of approximately $ divided by the sum of shares of our common stock to be outstanding after giving effect to this offering.
(4) Dilution is determined by subtracting (i) pro forma net tangible book value per share of our common stock after giving effect to this offering and the application of the net proceeds from (ii) the initial public offering price per share paid by a new investor in this offering.

Differences Between New and Existing Stockholders in Number of Shares of Common Stock and Amount Paid

The table below summarizes, as of December 31, 2004, on the pro forma basis discussed above, the differences between the number of shares of common stock purchased from us, the total consideration and average price per share paid by existing stockholders and by the new investors purchasing common stock in this offering. We used an assumed initial public offering price of $ per share, and we have not deducted estimated underwriting discounts and commissions and estimated offering expenses in our calculations.

	Shares Issued		Cash/Tangible Book Value		
	Number	Percentage	Amount	Percentage	Per Share
Existing stockholders					
New investors in this offering					
Total					

SELECTED FINANCIAL AND OPERATING DATA

We present in this prospectus certain historical and pro forma financial data. We also present certain operational data and non-GAAP financial measures on a historical and pro forma basis.

The selected historical financial information as of December 31, 2004, and the period from May 6, 2004 (inception) to December 31, 2004, has been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect to such financial information is included elsewhere in this prospectus. The selected historical financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", the consolidated financial statements as of December 31, 2004 and for the period from May 6, 2004 (inception) to December 31, 2004, and the related notes.

The unaudited pro forma consolidated balance sheet data is presented as if:

- the completion of this offering and application of the net proceeds,
- the acquisition of the Torrance Marriott in January 2005, and
- the acquisition of those properties currently under contract as of the date of this prospectus that we consider probable acquisitions

had occurred on December 31, 2004.

The unaudited pro forma consolidated statement of operations and other data for the fiscal year ended December 31, 2004, are presented as if:

- the completion of this offering and application of the net proceeds,
- the acquisition of our initial seven hotels,
- the acquisition of those properties currently under contract as of the date of this prospectus that we consider probable acquisitions, and
- our July 2004 private placement

had occurred on the first day of the period presented.

These adjustments are also discussed in detail under "Unaudited Pro Forma Financial Data." The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

We present the following two non-GAAP financial measures throughout this prospectus that we believe are useful to investors as key measures of our operating performance: (1) EBITDA; and (2) FFO.

EBITDA represents net income (loss) 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. We also use EBITDA as one measure in determining the value of hotel acquisitions and dispositions.

We compute FFO in accordance with standards established by NAREIT, which defines FFO as net income (loss) (determined in accordance with GAAP), excluding gains (losses) from sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures (which are calculated to reflect FFO on the same basis). We believe that the presentation of FFO provides useful information to investors regarding our operating performance because it is a measure of our operations without regard to specified non-cash items, such as real estate depreciation and amortization and gain or loss on sale of assets. We also use FFO as one measure in determining our results after taking into account the impact of our capital structure.

We caution investors that amounts presented in accordance with our definitions of EBITDA and FFO may not be comparable to similar measures disclosed by other companies, since not all companies calculate these non-GAAP measures in the same manner. EBITDA and FFO should not be considered as an alternative measure of our net income (loss), operating performance, cash flow or liquidity. EBITDA and FFO may include funds that may not be available for our discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions and other commitments and uncertainties. Although we believe that EBITDA and FFO can enhance your understanding of our results of operations, these non-GAAP financial measures, when viewed individually, are not necessarily a better indicator of any trend as compared to GAAP measures such as net income (loss) or cash flow from operations. In addition, you should be aware that adverse economic and market conditions may harm our cash flow. Under "Summary Historical and Pro Forma Financial and Operating Data" and this section, as required, we include a quantitative reconciliation of EBITDA and FFO to the most directly comparable GAAP financial performance measure, which is net income (loss).

	Historical	Pro Forma
	Period from May 6, 2004 to December 31, 2004	**Fiscal Year ended December 31, 2004**
Statement of operations data:		
Revenues:		
Rooms	$ 5,137,370	$ 87,485,090
Food and beverage	1,507,960	30,732,414
Other	428,534	7,133,825
Total revenues	7,073,864	125,351,329
Operating costs and expenses:		
Rooms	1,455,380	22,677,655
Food and beverage	1,266,827	22,765,231
Other	3,444,683	56,553,532
Corporate expenses	4,114,165	7,308,731
Depreciation and amortization	1,053,283	17,713,467
Total operating expenses	11,334,338	127,018,616
Operating loss	(4,260,474)	(1,667,287)
Interest and other income	(1,333,837)	(1,333,837)
Interest expense	773,101	12,337,505
Loss before income taxes	(3,699,738)	(12,670,955)
Income tax benefit	1,582,113	2,993,596
Net loss	$ (2,117,625)	$ (9,677,359)
FFO(1)	$ (1,064,342)	$ 8,036,108
EBITDA(2)(3)	$ (1,873,354)	$ 17,380,017

	Historical	Pro Forma
	As of December 31, 2004	As of December 31, 2004
Balance sheet data:		
Property and equipment, net	$ 285,642,439	$ 347,796,435
Total assets	391,691,179	437,263,192
Total debt	180,771,810	224,771,810
Total other liabilities	15,331,951	16,903,964
Shareholders' equity	195,587,418	195,587,418
Statistical data:		
Number of hotels	6	7
Number of rooms	1,871	2,357
Occupancy(4)	67.8%	75.0%
ADR(4)	$ 184.22	$ 136.21
RevPAR(4)	$ 124.99	$ 102.11

(1) FFO, as defined by NAREIT, is net income (loss) (determined in accordance with GAAP, excluding gains (losses) from sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures (which are calculated to reflect FFO on the same basis). The calculation of FFO may vary from entity to entity, thus our presentation of FFO may not be comparable to other similarly titled measures of other reporting companies. FFO is not intended to represent cash flows for the period. FFO has not been presented as an alternative to operating income, but as an indicator of operating performance, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

FFO is a supplemental industry-wide measure of REIT operating performance, the definition of which was first proposed by NAREIT in 1991 (and clarified in 1995, 1999 and 2002). Since the introduction of the definition by NAREIT, the term has come to be widely used by REITs. Historical GAAP cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical GAAP cost accounting to be insufficient by themselves. Accordingly, we believe FFO (combined with our primary GAAP presentations) help improve our stockholders' ability to understand our operating performance. We only use FFO as a supplemental measure of operating performance. The following is a reconciliation between net income (loss) and FFO:

	Historical	Pro Forma
	Period from May 6, 2004 to December 31, 2004	Fiscal Year ended December 31, 2004
Net loss	$ (2,117,625)	$ (9,677,359)
Depreciation and amortization	1,053,283	17,713,467
FFO	$ (1,064,242)	$ 8,036,108

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

determined in accordance with GAAP, and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of liquidity. The following is a reconciliation between net income (loss) and EBITDA:

	Historical	Pro Forma
	Period from May 6, 2004 to December 31, 2004	Fiscal Year ended December 31, 2004
Net loss	$ (2,117,625)	$ (9,677,359)
Interest expense	773,101	12,337,505
Income tax benefit	(1,582,113)	(2,993,596)
Depreciation and amortization	1,053,283	17,713,467
EBITDA	$ (1,873,354)	$ 17,380,017

(3) Fiscal year 2004 pro forma EBITDA includes the impact of approximately $7.2 million of non-cash straight-line ground rent expense recorded for the Bethesda Marriott Suites and Courtyard Manhattan/Fifth Avenue ground leases.

(4) Historical amounts relate to the period from hotel acquisition to December 31, 2004. Pro forma amounts relate to the fiscal year ended December 31, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We were recently formed and did not commence revenue generating operations until July 2004. Please see "Risk Factors—Risks Related to Our Business, Growth Strategy and Investment Sourcing Relationship With Marriott" for a discussion of risks relating to our limited operating history. The following discussion should be read in conjunction with our audited financial statements and the related notes thereto included elsewhere in this prospectus.

Overview

We are a real estate hospitality company that owns, acquires and invests in upper upscale and upscale hotel properties located primarily in North America. To a lesser extent, we may invest, on a selective basis, in limited service and extended stay hotel properties in urban locations. We began operations in July 2004 when we completed a private placement of our common stock to certain institutional and accredited investors in which net proceeds of approximately $196.3 million were raised.

Our principal business objective is to maximize stockholder value through a combination of dividends, growth in funds from operations and increases in net asset value. We believe that we can create long-term value in the hotel properties we acquire by taking advantage of individual market recovery opportunities, aggressive asset management and repositioning. We currently plan to invest approximately $28 million in 2005 and 2006 to renovate our initial hotels, including one hotel that will be re-branded.

Since our July 2004 private placement, we have acquired the following seven hotel properties, comprising 2,357 rooms: Courtyard Manhattan/Midtown East in New York, New York; Torrance Marriott in Los Angeles, California; Salt Lake City Marriott Downtown in Salt Lake City, Utah; Marriott Griffin Gate Resort in Lexington, Kentucky; Bethesda Marriott Suites in Bethesda, Maryland; Courtyard Manhattan/Fifth Avenue in New York, New York; and The Lodge at Sonoma Renaissance Resort & Spa, in Northern California.

We conduct substantially all of our operations through DiamondRock Hospitality Limited Partnership, our operating partnership. We are the sole general partner of our operating partnership and as a result we control the operating partnership. At present, we own 100% of the partnership units through our wholly-owned subsidiary, DiamondRock Hospitality, LLC, although, in the future, we may issue limited partnership units to third parties in exchange for capital or in exchange for interests in hotel properties from time to time. We also may issue limited partnership units to management as a substitute for restricted stock grants or other equity-based compensation. Sellers of hotel properties that receive limited partnership units of our operating partnership in exchange for their ownership interest in those properties may be able to defer recognition of any taxable gain that would be recognized in a cash sale until such time as their limited partnership units are redeemed or we sell the contributed properties. Upon a limited partner's election to have us redeem its units, we may redeem them, at our election, either for cash or shares of our common stock on a one-for-one basis, subject to any lock-up or other restrictions that may exist. Whenever we issue stock, we will be obligated to contribute any net proceeds we receive from such issuance to our operating partnership and our operating partnership will, in turn, be obligated to issue an equivalent number of limited partnership units to us. Our operating partnership will distribute the income it generates from its operations to us to the extent not payable to other limited partners. In turn, we expect to distribute a substantial majority of the amounts we receive from our operating partnership to our stockholders in the form of quarterly cash distributions.

We intend to elect to be treated as a self-advised REIT, effective January 1, 2005. For us to qualify as a REIT, we cannot operate our hotel properties. Therefore, our operating partnership and its subsidiaries lease our hotel properties to our TRS lessees, who in turn must engage one or more eligible independent contractors to manage our hotel properties. The leases generally provide for a fixed annual base rent plus percentage rent and certain other additional charges. We have entered into hotel management agreements with Marriott for all of our current seven hotel properties. Our TRS lessees are consolidated into our financial statements for accounting purposes. However, because both our operating partnership and our TRS lessees are controlled by us, our principal source of funds on a consolidated basis come from the operations of our hotels properties. The earnings of our TRS lessees are subject to federal and state income tax similar to the tax assessed on other C corporations; such tax reduces our funds from operations and the cash available for distribution to our stockholders.

The discussion below relates to the results of operations of the hotel properties that we currently own. The historical financial statements presented herein were prepared in accordance with GAAP. Following the completion of this offering, we expect to use the proceeds of this offering as described in "Use of Proceeds." Therefore, the discussion below should not be read as being indicative of any future operating results of our company.

Critical Accounting Policies and Estimates

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

Investment in Hotel Properties. Investments in hotel properties are stated at acquisition cost and allocated to land, property and equipment and identifiable intangible assets at fair value in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*. Property and equipment are recorded at fair value based on analyses, including current replacement cost for similar capacity and allocated to buildings, improvements, furniture, fixtures and equipment based on analysis performed by management and appraisals received from independent third parties. Property and equipment are depreciated using the straight-line method over an estimated useful life of 15 to 40 years for buildings and land improvements and one to ten years for furniture and equipment. Identifiable intangible assets are typically related to contracts, including ground lease agreements and hotel management agreements, which are recorded at fair value. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair market contract rates for corresponding contracts. Contracts acquired that are at market do not have significant value. We typically enter into a new hotel management agreement based on market terms at the time of acquisition. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements. In making estimates of fair values for purposes of allocating purchase price, we may utilize a number of sources that may be obtained in connection with the acquisition or financing of a property and other market data. Management also considers information obtained about each property as a result of its pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired.

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

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

Stock-based Compensation. We account for stock-based employee compensation using the fair value based method of accounting described in Statement of Financial Accounting Standards No. 123, *Accounting for Stock-based Compensation*, as amended. For restricted stock awards, we record unearned compensation equal to the number of shares awarded multiplied by the average price of our common stock on the date of the award. Unearned compensation is amortized using the straight-line method over the period in which the restrictions lapse (i.e., vesting period). For unrestricted stock awards, we record compensation expense on the date of the award equal to the number of shares awarded multiplied by the average price of our common stock on the date of the award, less the purchase price for the stock, if any.

Accounting for Key Money. Marriott has contributed to us certain amounts, which we refer to as key money, in exchange for the right to manage certain of our hotel properties. We defer key money received from a hotel manager in conjunction with entering into a long-term hotel management agreement and amortize the amount received against management fees over the term of the management agreement.

Other Recent Accounting Pronouncement

On December 16, 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment, or "SFAS 123(R)." SFAS 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. The FASB has concluded that companies could adopt the new standard in one of two ways: either the modified prospective transition method or the modified retrospective transition method. Using the modified prospective transition method, a company would recognize share-based employee compensation cost from the beginning of the fiscal period in which the recognition provisions are first applied as if the fair-value-based accounting method had been used to account for all employee awards granted, modified, or settled after the effective date and to any awards that were not fully vested as of the effective date. Using the modified retrospective method, a company would recognize employee compensation cost for periods presented prior to the adoption of the proposed standard in accordance with the original provisions of SFAS No. 123; that is, an entity would recognize employee compensation cost in the amounts reported in the pro forma disclosures provided in accordance with SFAS No. 123. For periods after the date of adoption of the standard, the modified prospective transition method described above would be applied. SFAS 123(R) becomes effective for public companies with their first interim or annual reporting period that begins after June 15, 2005. For non-public companies, the standard becomes effective for their first fiscal year beginning after December 15, 2005. We currently utilize the fair value approach for accounting for stock compensation, and therefore expect that the impact on our financial condition and results of operations of adopting SFAS 123(R) is expected to be minimal.

Results of Operations

We were formed on May 6, 2004, began operations in July 2004 and acquired our first hotel property in October 2004. We completed our private placement of common stock in July 2004 and received proceeds, net of offering costs and fees, of approximately $196.3 million. Stockholders' equity at December 31, 2004 was approximately $195.6 million. Our loss before income taxes, for the period from inception through December 31, 2004 was $3,699,738.

Revenue. We had total revenues of $7,073,864 for the period from May 6, 2004 to December 31, 2004. Revenue consists primarily of the room, food and beverage and other revenues from The Lodge at Sonoma and the Courtyard Midtown East for the period subsequent to our acquisition dates of October 27, 2004 and November 19, 2004, respectively. Revenues are also included for the post acquisition period for our other four acquisitions, completed during the last two weeks of 2004. The average occupancy of our hotels was 67.8% for the periods subsequent to acquisition. The hotels collectively achieved an ADR of $184.22 and RevPAR of $124.99, respectively, for the periods subsequent to acquisition. On a pro forma basis for 2004, revenues were $125,351,329 and RevPAR was $102.11.

Hotel operating expenses. Our hotel operating expenses totaled $6,166,890 for the period from May 6, 2004 to December 31, 2004. Hotel operating expenses consist primarily of operating expenses of The Lodge at Sonoma and the Courtyard Midtown East for the period subsequent to our acquisition dates of October 27, 2004 and November 19, 2004 respectively. Operating expenses are also included for the post acquisition period of our other four 2004 acquisitions, which were completed during the last two weeks of 2004. Our hotel operating expenses during the period include $8,371,609 of non-cash ground rent expense due to the straight-lining of future increases in the ground lease payments at two of our initial hotels; the contractual rent during the period was $1,191,197. Our 2004 pro forma hotel operating expenses, assuming we acquired the initial seven hotels on January 1, 2004, are $101,996,418.

Depreciation and amortization expense. Our depreciation and amortization expense totaled $1,053,283 for the period from May 6, 2004 to December 31, 2004. Depreciation and amortization is recorded on our hotels 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. The furniture, fixtures and equipment depreciable lives are less than one year for the Courtyard Midtown East, the Courtyard Fifth Avenue and the Bethesda Marriott Suites since these hotels will undergo significant renovations in 2006. Our pro forma depreciation expense, assuming we acquired the initial seven hotels on January 1, 2004, is $17,713,467, which reflects the use of actual depreciation lives assigned to the assets in purchase accounting.

Corporate expenses. Our corporate expenses totaled $4,114,165 for the period from May 6, 2004 to December 31, 2004. Corporate expenses principally consist of employee related costs, including base payroll, bonus and restricted stock. Corporate expenses also include organizational costs, professional fees and directors' fees. Our pro forma corporate expenses are $7.3 million. The pro forma 2004 corporate expenses do not include costs of future employees and other costs for which we are not currently obligated but expect to incur subsequent to completion of this offering. Our budgeted 2005 corporate expenses are approximately $ million, which is comprised of approximately $6.2 million of cash corporate expenses and approximately $ million of restricted stock expense.

Interest expense. Our interest expense totaled $773,101 for the period from May 6, 2004 to December 31, 2004. Interest expense relates to the mortgage debt incurred in connection with our acquisitions. Our mortgage debt on two of our hotels bears interest at variable rates based on LIBOR. The interest rates as of December 31, 2004 on these two mortgage loans were 4.74% and 5.04%, respectively. The mortgage debt on our other four hotels bears interest at fixed rates ranging from 5.11% to 7.69% per year. Our 2004 pro forma interest expense, assuming we acquired the initial seven hotels on January 1, 2004, is $12,337,505.

Income taxes. We recorded an income tax benefit of $1,582,113 for the period from May 6, 2004 to December 31, 2004 . The 2004 current tax liability of $879,717 is the result of temporary differences primarily resulting from deferred key money, capitalized pre-opening costs, restricted stock expense, straight-line ground rent, depreciation and other items that will result in 2004 taxable income. A significant portion of the deferred tax assets recorded in 2004 will be expensed in the first quarter of 2005 in connection with our REIT election.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds necessary to fund future distributions to our stockholders to maintain our REIT status as well as to pay for operating expenses and other expenditures directly associated with our hotel properties, including:

- recurring maintenance and capital expenditures necessary to maintain our hotel properties properly; and
- interest expense and scheduled principal payments on outstanding indebtedness.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our anticipated secured revolving credit facility.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional hotel properties, renovations, expansions and other non-recurring capital expenditures that need to be made periodically to our hotel properties, scheduled debt payments and making distributions to our stockholders. We expect to meet our long-term liquidity requirements through various sources of capital including the cash we will have available upon completion of this offering, cash provided by operations, and borrowings, as well as through the issuances of additional equity or debt securities. Our ability to incur additional debt is dependent upon a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions imposed by existing lenders. Our ability to raise funds through the issuance of debt and equity securities is dependent upon, among other things, general market conditions for REITs and market perceptions about us. We will continue to analyze which source of capital is most advantageous to us at any particular point in time, but the capital markets may not be consistently available to us on terms that are attractive, or at all. We believe that our existing cash and cash equivalents, together with the net proceeds from this offering, cash flow from operations and borrowings, will be sufficient to acquire the hotel properties that we consider to be probable acquisitions as described in this prospectus, to fund the $28 million of renovation costs in 2005 and 2006 for our initial hotels and to fund our cash requirements during the next twelve months.

In addition, we intend to utilize various types of debt to finance a portion of the costs of acquiring additional hotel properties. We expect this debt will include long-term, fixed-rate, mortgage loans, variable-rate term loans, and secured revolving lines of credit.

We are currently in negotiations with a number of financial institutions to enter into a secured revolving credit facility. We expect that:

- the credit facility may be guaranteed by certain of our subsidiaries whose governance agreements and loan documents do not otherwise prohibit such guarantees; and
- the credit facility will have a term of at least two years, and our borrowings under the credit facility are expected to bear interest at a floating interest rate of .

We expect that the credit facility will require that we satisfy certain financial covenants, as well as other non-financial covenants. If we do not satisfy these covenants, we would be in default under this anticipated credit facility, and the lender could require us to immediately repay all outstanding indebtedness under the credit facility. We expect the credit facility to be available for general corporate purposes, including the following:

- funding of investments;
- funding of hotel renovations and improvements;
- payment of distributions to stockholders;
- working capital needs; or
- any other payments deemed necessary or desirable by management and approved by the lender.

As we have not yet entered into a definitive agreement with respect to the credit facility, the final terms may materially differ from those described in this prospectus.

Any indebtedness we incur will likely be subject to continuing covenants, and we will likely be required to make continuing representations and warranties in connection with that debt. Moreover, some or all of our debt may be secured by some or all of our assets. If we default in the payment of interest or principal on any of our debt, breach any representation or warranty in connection with any borrowing or violate any covenant in any loan document, the lender may accelerate the maturity of the debt, requiring us to immediately repay all outstanding principal and accrued interest. If we are unable to make the payment, our lender could foreclose on any assets that are pledged as collateral to the lender. The lender could also sue us or force us into bankruptcy. Any of these events would likely have a material adverse effect on the value of an investment in our common stock.

In order to qualify as a REIT and to avoid corporate-level tax on the income we distribute to our stockholders, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, on an annual basis. Therefore, once the total net proceeds of this offering and our July 2004 private placement are substantially fully invested, we intend to raise additional capital in order to grow our business and invest in additional hotel properties. However, there is no assurance that we will be able to borrow funds or raise additional equity capital on terms acceptable to us, if at all. For additional information regarding our distribution policies and requirements, see "Dividend Policy and Distributions."

Off-Balance Sheet Arrangements

We lease the land underlying the Bethesda Marriott Suites and the Courtyard Manhattan/Fifth Avenue pursuant to ground leases that provide for ground lease rental payments that are stipulated in the ground leases and increase in pre-established amounts over the remaining terms of the leases. We lease the land underlying the Salt Lake City Marriott Downtown pursuant to a ground lease that provides for ground lease payments that are calculated based on a percentage of gross revenues. We record the future minimum ground rent payments on the Bethesda Marriott Suites and the Courtyard Manhattan/Fifth Avenue on a straight-line basis as required by accounting principles generally accepted in the United States. We also lease the ground under the Marriott Griffin Gate Resort golf course and the ground under a portion of the Salt Lake City Marriott Downtown ballroom not covered by the main ground lease underlying the hotel.

Outstanding Debt

After application of a portion of the net proceeds from this offering to repay approximately $ million of mortgage debt as described in "Use of Proceeds," we expect to have approximately $ million of outstanding debt. The following table sets forth as of December 31, 2004, after giving effect to our acquisition of the Torrance Marriott hotel in January 2005, our debt obligations on our hotel properties.

Property	Principal Balance	Prepayment Penalties	Interest Rate	Maturity Date	Amortization Provisions
Courtyard Manhattan/Midtown East	$ 45,000,000	No(1)	5.20%	12/09	25 years
Torrance Marriott	44,000,000	No(2)	LIBOR(10) + 2.50%	1/07(6)	Interest Only
Salt Lake City Marriott Downtown	39,000,000	Yes(1)	5.50%	12/14	20 years(9)
Marriott Griffin Gate Resort	31,000,000	Yes	5.11%	12/09	25 years
Bethesda Marriott Suites	19,827,573	Yes(3)	7.69%	2/23	25 years
Courtyard Manhattan/Fifth Avenue	23,000,000	No(4)	LIBOR(10) + 2.70%	1/07(7)	Interest Only
The Lodge at Sonoma Renaissance Resort & Spa	20,000,000	No(5)	LIBOR(10) + 2.40%	11/06(8)	Interest Only
Total:	$ 221,827,573				

(1) The debt may not be prepaid until three months prior to the maturity date of the mortgage loan.
(2) The debt may be prepaid at par at any time except during the period from July 13, 2005 to January 13, 2006. We intend to repay the debt with the proceeds of this offering.

(3) The debt may be prepaid. If it is prepaid prior to August 2012, it is subject to a prepayment fee equal to the greater of i) one percent of the outstanding principal amount or ii) a yield maintenance premium determined as set forth in the Deed of Trust.
(4) The debt may be prepaid at par as of December 2005. We intend to repay the debt with the proceeds of this offering.
(5) The debt may be prepaid at par at any time except during certain days each month as specified in the applicable loan agreement. We intend to repay the debt with the proceeds of this offering.
(6) The debt allows for three one-year extensions provided that certain conditions are met.
(7) The debt allows for three one-year extensions provided that certain conditions are met.
(8) The debt allows for one 12-month extension provided that certain conditions are met.
(9) There is an accelerated amortization provision based on a predetermined formula of available cash flow.
(10) We have entered into an interest rate cap agreement on this debt.

Financing Strategy

We currently maintain a policy that limits our total debt level to no more than 60% of our aggregate property investment and repositioning costs. Our board of directors, however, may change or eliminate this debt limit, and/or the policy itself, at any time, without the approval of our stockholders. Upon completion of this offering, we will have a debt ratio of approximately % of our pro forma property investment and repositioning costs as of December 31, 2004.

Going forward, we will consider a number of factors when evaluating our level of indebtedness and making financial decisions, including, among others, the following:

- the interest rate of the proposed financing;
- prepayment penalties and restrictions on refinancing;
- the purchase price of properties we acquire with debt financing;
- our long-term objectives with respect to the financing;
- our target investment returns;
- the ability of particular properties, and our company as a whole, to generate cash flow sufficient to cover expected debt service payments;
- overall level of consolidated indebtedness;
- timing of debt and lease maturities;
- provisions that require recourse and cross-collateralization;
- corporate credit ratios, including debt service coverage, debt to total market capitalization and debt to undepreciated assets; and
- the overall ratio of fixed and variable-rate debt.

Beyond our anticipated secured revolving credit facility, we intend to use other financing methods as necessary, including obtaining from banks, institutional investors or other lenders, financings through property mortgages, bridge loans, letters of credit, and other arrangements, any of which may be unsecured or may be secured by mortgages or other interests in our investments. In addition, we may issue publicly or privately placed debt instruments. When possible and desirable, we will seek to replace short-term sources of capital with long-term financing.

Our indebtedness may be recourse, non-recourse or cross-collateralized and may be fixed rate or variable rate. If the indebtedness is non-recourse, the collateral will be limited to the particular properties to which the indebtedness relates. In addition, we may invest in properties subject to existing loans secured by mortgages or similar liens on the properties, or may refinance properties acquired on a leveraged basis. We may use the proceeds from any borrowings to refinance existing indebtedness, to refinance investments, for general working capital or for other purposes when we deem it advisable.

Contractual Obligations

The following table outlines the timing of payment requirements related to our consolidated mortgage debt and other commitments as of December 31, 2004.

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Long-Term Debt Obligations	$ 177,827,573	$ 3,113,034	$ 49,699,211	$ 47,579,899	$ 77,435,429
Operating Lease Obligations—Ground Leases	$ 633,281,744	$ 1,205,541	$ 2,505,723	$ 2,790,597	$ 626,779,883
Office Space	$ 87,000	$ 87,000	$ —	$ —	$ —

Cash Distribution Policy

We operated as a taxable C Corporation during our first taxable year ended December 31, 2004. We will elect to be taxed as a REIT under the Code for the taxable year ending on December 31, 2005 and subsequent taxable years. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we generally distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction, to our stockholders. It is our current intention to comply with these requirements, elect REIT status and maintain such status going forward. As a REIT, we generally will not be subject to corporate federal, state or local income taxes on taxable income we distribute to our stockholders (although the taxable income of our TRS lessees and other TRSs generally will be subject to regular corporate tax). If we fail to qualify as a REIT in any taxable year, we will be subject to federal, state and local income taxes at regular corporate rates and we may not be able to qualify as a REIT for four subsequent tax years. Even if we qualify for federal taxation as a REIT, we may be subject to certain state and local taxes on our income and property and to federal income and excise taxes on our undistributed taxable income. See "Dividend Policy and Distributions."

Inflation

Operators of hotel properties, 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 hotel management companies to raise room rates.

Seasonality

The operations of hotel properties historically have been seasonal depending on location and, accordingly, we expect some seasonality in our business.

Geographic Concentration

Our hotel properties are located in the following markets: New York City (2 hotels), Washington D.C., Los Angeles, Salt Lake City, Northern California and Lexington, Kentucky.

Tax and Depreciation

The following table reflects certain real estate tax information for our initial properties:

Property	Federal Tax Basis (In thousands)	Property Tax Rate 2004 Estimate(1)	Real Estate Tax 2004 Estimate (In thousands)	Depreciation Method(2)	Tax Depreciation Life (Years)(3)	Depreciation Percent (%)
Courtyard Manhattan/Midtown East	$ 71,144	1.5%	$ 1,052	Straight-Line	39	2.564%
Torrance Marriott	51,504	1.4	711	Straight-Line	39	2.564
Salt Lake City Marriott Downtown	45,292	1.4	645	Straight-Line	39	2.564
Marriott Griffin Gate Resort	41,297	0.8	325	Straight-Line	39	2.564
Bethesda Marriott Suites	46,271	1.1	517	Straight-Line	39	2.564
Courtyard Manhattan/Fifth Avenue	33,779	2.4	798	Straight-Line	39	2.564
The Lodge at Sonoma Renaissance Resort & Spa	27,410	1.2	335	Straight-Line	39	2.564

(1) Per $1,000 of assessed value.
(2) Straight line method of depreciation.
(3) Depreciation life in years.

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 which we expect to be exposed to in the future, is interest rate risk. Some of our outstanding debt has a variable interest rate. We use interest rate caps to manage our interest rate risks relating to our variable rate debt. We had $180.8 million in debt outstanding at December 31, 2004 and incurred an additional $44.0 million of debt in connection with our acquisition of the Torrance Marriott hotel. Including debt incurred in connection with the acquisition of the Torrance Marriott hotel, our total outstanding debt at December 31, 2004 was approximately $224.8 million, of which approximately $87 million or 38.7% was variable rate debt. If market rates of interest on our variable debt, including debt related to the Torrance Marriott, were to increase by 1.0%, or approximately 100 basis points, the increase in interest expense on our variable debt would decrease future earnings and cash flows by approximately $870,000 annually. On the other hand, if market rates of interest on our variable rate were to decrease by 1.0%, or approximately 100 basis points, the decrease in interest expense on our variable rate debt would increase future earnings and cash flow by approximately $870,000. As of December 31, 2004, the fair value of the fixed rate debt is equal to the book value.

HOTEL INDUSTRY

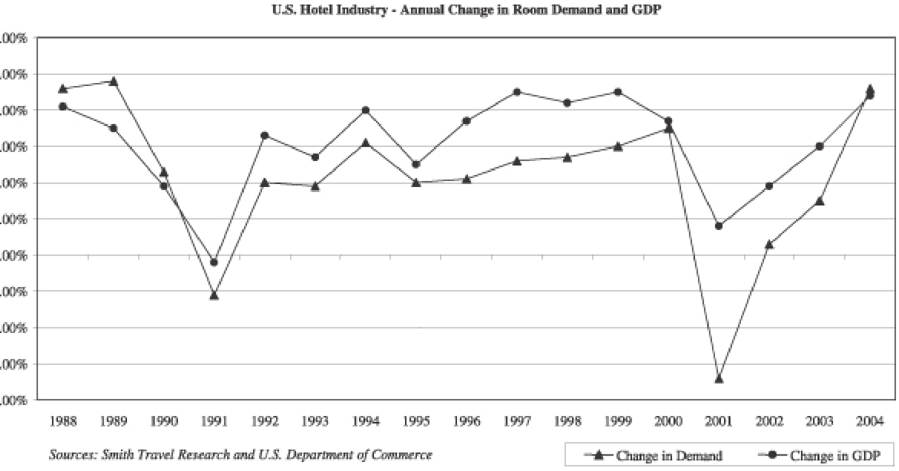
Hotel Industry Recovery. We believe that the U.S. hotel industry is continuing to recover from the severe effects of an economic slowdown and reduction in travel following the terrorist attacks of September 11, 2001, which led to declines in room rates as hotels competed more aggressively for fewer guests. As a result, hotel industry RevPAR and operating performance declined substantially in the period 2001 to 2003.

General economic and local market conditions affect the levels of business and leisure travel, which in turn affect hotel demand and, therefore, operating performance. Along with hotel demand, new hotel room supply is another important factor affecting the hotel industry's performance. Room rates, occupancy and RevPAR typically increase when demand growth exceeds supply growth. According to Smith Travel Research, Inc., demand for hotel rooms recently increased while growth in the supply of new hotel rooms slowed and is expected to remain at historically low levels for the next several years.

Attractive Environment for Acquisitions. We believe that the current environment presents the opportunity to acquire hotel properties at an attractive time in the hotel industry cycle and participate in improved hotel industry fundamentals. As economic conditions continue to improve, we expect a number of hotel properties with attractive values will be sold over the near-term. Unlike the last industry downturn in the early 1990's, current hotel owners generally have not been compelled to sell their hotels at distressed prices. In the most recent downturn, hotel properties generally were more conservatively leveraged and hotel owners therefore were able to comply with their debt service obligations despite the cash flow reductions caused by the economic and industry slowdown. While the hotel industry is now recovering from the general economic decline of the previous few years, we believe that a significant number of hotel owners are motivated to sell their hotel properties for a number of reasons. Some owners are restructuring their portfolios by selling some hotels in order to restore service levels and accelerate maintenance and capital expenditures to capitalize on recovering demand levels and increase potential revenue streams at their remaining hotels. Other owners have been forced to hold their assets longer than planned during the market downturn and are seeking to sell into the first rising market in several years.

Because the market appears to accept the notion of broad hotel market recovery, sellers are demanding and receiving relatively high multiples of trailing earnings for their hotels. We believe that, even at such relatively high valuations, hotel industry performance indicators will generally continue to improve, providing the opportunity for future increases in revenues and profits.

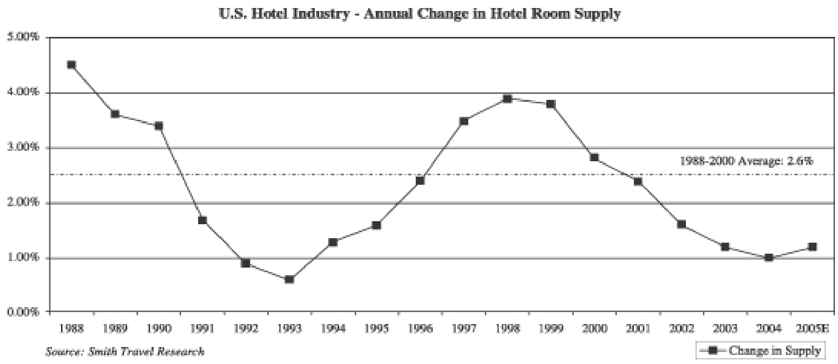
Favorable Long-Term Demand Fundamentals. As shown in the chart below, hotel room demand has historically been highly correlated with GDP growth. From 1988 to 2000, demand for hotel rooms grew at an average annual rate of approximately 2.6%, in line with the 3.3% average annual growth rate in GDP during the same period. However, a declining economy and the terrorist attacks of September 11, 2001 led to sharp declines in travel activities in 2001. Beginning in 2002, hotel room demand and GDP showed signs of improvement. Hotel room demand increased by 0.3% in 2002 and 1.5% in 2003, while GDP increased by 1.9% in 2002 and 3.0% in 2003. In 2004, the general economic and hotel room demand recovery continued, as hotel room demand increased by 4.7% and GDP increased by 4.4%. It is projected that hotel room demand will grow by 4.0% in 2005.



We expect that sustained growth in demand will result in continued improvement of hotel industry fundamentals. According to Smith Travel Research:

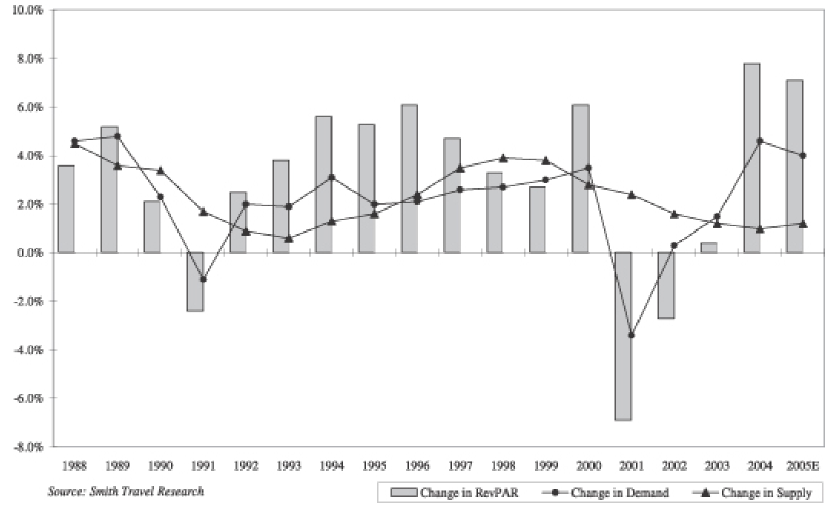
- occupancy increased by 3.7% in 2004 and is projected to increase by 2.8% in 2005; and
- ADR increased by 4.0% in 2004 and is projected to increase by 4.2% in 2005.

Favorable Supply Fundamentals. Historically, periods of weak hotel industry performance have been followed by a decrease in the growth of new hotel supply as availability of new development capital declines. Although improving operating fundamentals encourage new construction, development may require up to several years to complete. As a result, supply growth typically lags behind a hotel industry recovery. As shown in the graph below, new hotel room supply growth averaged 2.6% annually from 1988 to 2000, which is an average growth rate that is approximately equal to the average growth rate for demand over the same period of time, but since 2001, hotel room supply increased by only 1.6% in 2002, 1.2% in 2003 and 1.0% in 2004. New hotel room supply is projected to grow by 1.2% in 2005, as compared to its past 15-year historical annual average of 2.1%. We expect that if new supply remains constrained in 2005 and beyond, even moderate increases in demand should translate into further increases in hotel revenues and profitability.



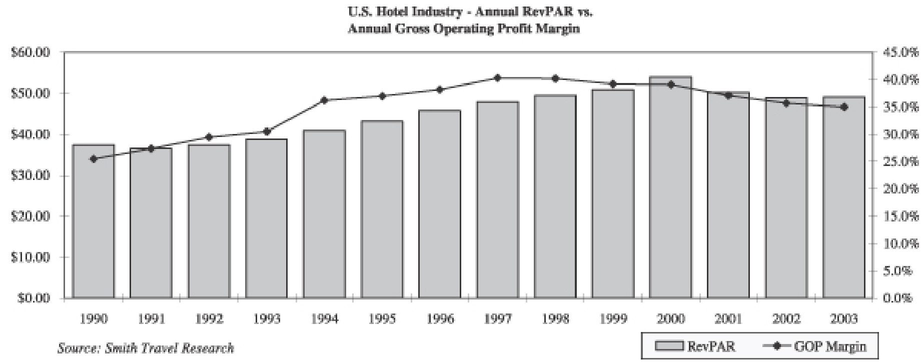
Improving RevPAR. RevPAR is generally higher in periods when room demand exceeds new supply growth. In 2001 and 2002, hotel room demand declined significantly below new room supply, resulting in RevPAR declines of 6.9% in 2001 and 2.7% in 2002. The aggregate percentage decline over this two-year period substantially surpassed the aggregate percentage decline for the 1990-91 period, previously considered one of the worst periods in the modern history of the U.S. hotel industry. We believe the industry is recovering in a pattern similar to that following the post-1991 decline. In 2003, hotel room demand stabilized and RevPAR increased 0.4%. In 2004, hotel demand increased significantly, leading to a significant increase in RevPAR of 7.8%, and RevPAR growth of 7.1% is projected for 2005.

U.S. Hotel Industry - Annual Historical and Projected Change in RevPAR, Room Demand and Room Supply



Source: Smith Travel Research

Improving Margins. The hotel industry has operated more efficiently over the past decade, notwithstanding the significant industry downturn of 2001-2003. Periods of strong RevPAR growth tend to be characterized by increases in gross operating margin, or GOP margins, while periods of slower RevPAR growth or periods of RevPAR decline tend to be characterized by GOP margin decreases. For example, from 2000 through 2003, GOP margins declined from 39.1% to 35.0% as RevPAR declined by an average of 3.1% annually. We believe that as economic conditions continue to improve, our hotel occupancy rates will increase, making it possible for us to increase daily rates and thereby increase our RevPAR and operating margins.



OUR BUSINESS

Our Company

We are a self-advised real estate company that owns, acquires and invests in upper upscale and upscale hotel properties located primarily in North America. To a lesser extent, we may invest, on a selective basis, in premium limited service and extended stay hotel properties in urban locations. We began operations in July 2004 when we completed a private placement of our common stock.

Our Competitive Strengths

We believe we distinguish ourselves from other owners, acquirors and investors in hotel properties through our competitive strengths, which provide us with a competitive advantage over our competitors in implementing our strategies. Our competitive strengths include:

Experienced Management Team. We believe the extensive hotel industry experience of our senior management team will enable us to effectively implement our business strategies. Together, our senior management team of William W. McCarten, John L. Williams, Mark W. Brugger, Michael D. Schecter and Sean M. Mahoney has more than 75 years of experience in lodging, real estate and related service industries, including hotel asset management, acquisitions, mergers, dispositions, development, redevelopment and financing. Collectively, they have been involved in hotel transactions aggregating several billion dollars and over 100,000 hotel rooms. In particular, our senior executive officers have the following experience:

- Mr. McCarten had over twenty-five years experience with the Marriott organization. Over the course of his career with Marriott and its related entities, he served in a variety of positions, including non-executive Chairman, President and Chief Executive Officer of HMSHost Corporation (formerly Host Marriott Services Corporation) and Executive Vice President and Operating Group President of Host Marriott Corporation, each a publicly traded company. Mr. McCarten oversaw the spin-off of HMSHost Corporation through its merger with Autogrill S.P.A. Several weeks before the announcement of the spin-off in 1995, the common stock of HMSHost Corporation traded at $6.25 per share and HMSHost Corporation was subsequently purchased by Autogrill, S.P.A. in 1999 for $15.75 per share (a 252% return). Mr. McCarten serves as our Chairman and Chief Executive Officer.
- Mr. Williams had over twenty-five years experience with Marriott and recently served as Executive Vice President of North American Hotel Development for Marriott, where he had primary responsibility for the acquisition and development of full-service hotel projects involving Marriott Hotels & Resorts, Renaissance Hotels & Resorts and The Ritz-Carlton. He has extensive experience in acquiring, repositioning, developing and redeveloping hotels. Mr. Williams serves as our President and Chief Operating Officer.
- Mr. Brugger has over a decade of experience in real estate and finance. He recently served as the Vice President Project Finance with Marriott as well as Chief Executive Officer of a non-lodging Marriott subsidiary with over $300 million in annual revenues. His experience includes structured finance transactions totaling in excess of $2 billion as well as the acquisition, disposition and financing of investment properties. Mr. Brugger serves as our Executive Vice President and Chief Financial Officer.
- Mr. Schecter has fifteen years experience practicing law, including six years with Marriott. He has led and successfully completed a wide array of transactions in the hotel industry, including mergers and acquisitions, dispositions, joint ventures, and financings. Mr. Schecter serves as our General Counsel.
- Mr. Mahoney has over eleven years experience as a certified public accountant. He most recently served as a senior manager with Ernst & Young LLP. He has extensive experience with clients in the real estate and hotel industries. Mr. Mahoney serves as our Chief Accounting Officer and Corporate Controller.

Marriott Investment Sourcing Relationship. Our investment sourcing relationship with Marriott provides us, subject to certain limitations, with a "first look" at hotel property acquisition and investment opportunities known to Marriott. As a result of Marriott's extensive network, relationships and knowledge of hotel property investment opportunities, we believe we have preferred access to a unique source of hotel property investment opportunities, many of which may not be available to other hospitality companies.

We regularly explore with Marriott how to further our investment sourcing relationship in order to maximize the value of the relationship to both parties. To date, both companies have worked proactively to convert appropriate opportunities into hotel property investments made by us and managed by Marriott. Our senior management team currently meets with senior representatives of Marriott approximately every two weeks to discuss, among other things, potential hotel property investment opportunities known to Marriott that are consistent with our stated business strategy.

Since our formation in 2004, Marriott has provided us with access to more than $1.9 billion of off-market acquisition opportunities. In particular, our relationship with Marriott has facilitated the acquisition of four of our initial seven hotel properties. We believe that we will continue to benefit from this relationship.

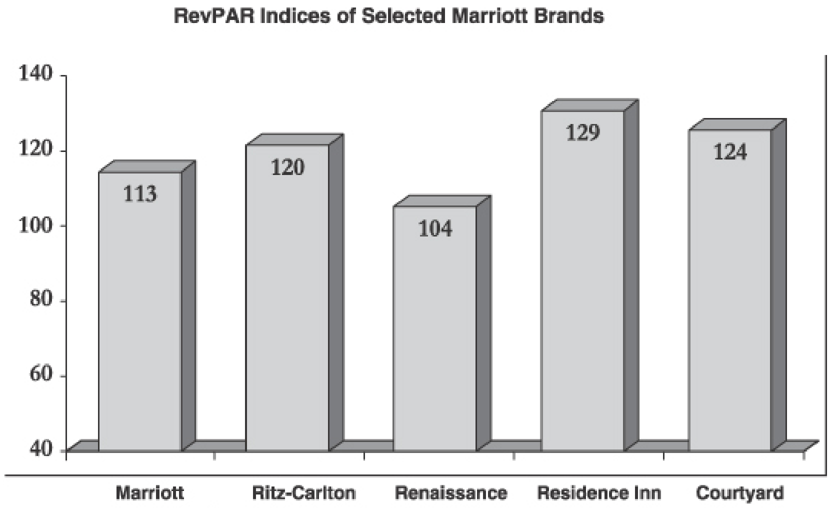
Except where contractually or ethically prohibited, or where Marriott believes it would be damaging to existing Marriott relationships, Marriott provides us a "first look" at hotel property investment opportunities known to it that are consistent with our stated business strategy. These hotel property investment opportunities are those upon which Marriott believes that it may have a significant influence on a potential sale. We believe we are Marriott's preferred purchaser of full-service as well as urban select-service and urban extended-stay hotels in the United States, Canada and Mexico. We believe that Marriott currently views "first look" as meaning Marriott will approach us first and give us an opportunity to work with Marriott in connection with an investment. Whether the "first look" opportunity develops further will depend upon the circumstances of each investment. In order to continue to develop this relationship, except where contractually or ethically prohibited, we intend to provide Marriott with a "first look" at all hotel management opportunities that become known to us.

While we and Marriott currently intend to develop and strengthen our investment sourcing relationship, neither of us has entered into a binding agreement or commitment setting forth the terms of this relationship. Our investment sourcing relationship may be modified or terminated at any time by either party. We retain the right to utilize any property brand and any hotel management company. We believe that should we pursue any such opportunity, it will not affect our investment sourcing relationship with Marriott, so long as such an opportunity does not interfere with Marriott's objectives for our investment sourcing relationship. On the other hand, Marriott has numerous longstanding relationships with other potential property owners and we understand that Marriott may work with other owners on any potential transaction.

Marriott's only binding commitment with regard to this investment sourcing relationship is that until June 30, 2006, it will not enter into any written agreement or series of written agreements granting any third party the right to receive information from Marriott concerning opportunities to purchase full-service, urban select-service or urban extended-stay hotels in the United States, or in any region thereof, prior to such opportunities being presented to us. Our only binding commitment with regard to this relationship is that until June 30, 2006, we will not enter into a written agreement or series of written agreements granting any third party the right to receive information from us concerning potential opportunities to provide hotel management services for full-service, urban select-service or urban extended-stay hotels in the United States, or in any region thereof, prior to such opportunity being presented to Marriott. However, for any particular hotel, we are under no obligation to use Marriott as our hotel management company and we may invest in hotel properties that do not operate under one of Marriott's brands.

Pursuant to this investment sourcing relationship, we have pursued, and intend to continue to pursue, hotel property investment opportunities referred to us by Marriott and we intend to continue to utilize Marriott as our preferred hotel management company. We believe that this strategy will benefit our stockholders because we believe that Marriott's strong brands and excellent hotel management services have an extensive track record of providing its owners with a RevPAR premium over competitive brands.

The chart below shows RevPAR indices for selected Marriott brands for 2004 as of September 2004. The RevPAR index for any given hotel measures the level of RevPAR achieved by that hotel relative to its competitors in a specific market. For example, a hotel with a RevPAR index of 105 indicates that, on average, that hotel achieves 5% higher RevPAR than its competitors in that specific market. Marriott defines each hotel's competitive set on a market-by-market basis, considering a variety of factors, some of which are subjective. Smith Travel Research, Inc. provides Marriott with the RevPAR data for the specified competitive set. The RevPAR index for an entire brand is an aggregation of individual property results versus their respective competitive sets.



Source: Marriott International, Inc., Smith Travel Research, U.S. Comparable Hotels as of September 2004.

Proven Acquisition Capability. Our senior management team has established a broad network of hotel industry contacts and relationships, including relationships with hotel owners, financiers, operators, commercial real estate brokers and other key industry participants. These industry relationships have provided us with a valuable source of potential hotel property investment opportunities. Since our July 2004 private placement, we have acquired the following seven hotel properties, comprising 2,357 rooms:

- Courtyard Manhattan/Midtown East in New York, New York, acquired in November 2004 for approximately $78.9 million;
- Torrance Marriott in Los Angeles, California, acquired in January 2005 for approximately $72.0 million;
- Salt Lake City Marriott Downtown in Salt Lake City, Utah, acquired in December 2004 for approximately $53.3 million;
- Marriott Griffin Gate Resort in Lexington, Kentucky, acquired in December 2004 for approximately $49.8 million;
- Bethesda Marriott Suites in Bethesda, Maryland, acquired in December 2004 for approximately $41.9 million;
- Courtyard Manhattan/Fifth Avenue in New York, New York, acquired in December 2004 for approximately $39.7 million; and

- The Lodge at Sonoma Renaissance Resort & Spa in Northern California, acquired in October 2004 for approximately $32.3 million.

We believe that our ability to quickly identify, negotiate, finance and consummate acquisitions has positioned us as a preferred buyer of hotel properties.

Growth-Oriented Capital Structure. Upon completion of, and application of the net proceeds from, this offering, we will have $ million in secured financing, representing an initial leverage ratio of approximately % of our pro forma total investments as of December 31, 2004, including projected capital improvements, and approximately $ million in net proceeds from this offering to fund future hotel property investments and working capital. In addition, we currently are negotiating with a number of financial institutions to obtain a line of credit to fund additional acquisitions and renovations and for general working capital and other corporate purposes.

Our Business Objective and Strategies

Our principal business objective is to maximize stockholder value through a combination of dividends, growth in funds from operations and increases in net asset value. In order to achieve this objective, our key strategies are as follows:

- disciplined acquisition of hotel properties;
- aggressive asset management; and
- opportunistic hotel repositioning.

Disciplined Acquisition of Hotel Properties. We will seek to create value by acquiring upper upscale and upscale hotel properties in geographically diverse locations, and to a lesser extent, premium limited service and extended stay hotels in urban locations, in accordance with our disciplined acquisition strategy. Our focus is on acquiring undermanaged or undercapitalized hotel properties at prices below replacement cost and that are located in markets where we expect demand growth will outpace new supply.

Aggressive Asset Management. We intend to aggressively manage our hotel properties by continuing to employ value-added strategies (such as re-branding, renovating, or changing management) designed to increase the operating results and value of our hotel property investments. We will conduct improvements to certain of our initial properties designed to enhance the overall experience of hotel guests and increase RevPAR and asset value. For example, in certain hotels, we are planning the addition of new furniture and bedding, installation of granite vanities in bathrooms, and introduction of new concepts for food and beverage outlets, such as the conversion of a gift shop to a Starbuck's outlet. We currently plan to invest approximately $28 million in 2005 and 2006 to renovate our initial hotels, including $23.9 million in capital that has been pre-funded into various escrow accounts.

We do not operate our hotel properties, but we have structured, and intend to continue to structure, our hotel management agreements to allow us to closely monitor the performance of our hotels and to ensure, among other things, that our third-party managers: (i) implement an approved business and marketing plan, (ii) implement a disciplined capital expenditure program and (iii) establish and prudently spend appropriate furniture, fixtures and equipment reserves.

Capitalizing on Repositioning Opportunities. We intend to seek opportunities to acquire hotel properties that will benefit from repositioning, including re-branding, renovating or changing management to increase the operating results and value of our hotel property investments. In this regard, we believe our investment sourcing relationship with Marriott will yield many of these opportunities.

Environmental Matters

Under various federal, state and local environmental laws and regulations, a current or previous owner, operator or tenant of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases or threats of releases at such property and may be held liable to a government entity or to third parties for property damage and for investigation, clean-up and monitoring costs incurred by such parties in connection with the actual or threatened contamination. These laws typically impose clean-up responsibility and liability without regard to fault, or whether or not the owner, operator or tenant knew of or caused the presence of the contamination. The liability under these laws may be joint and several for the full amount of the investigation, clean-up and monitoring costs incurred or to be incurred or actions to be undertaken, although a party held jointly and severally liable may obtain contributions from other identified, solvent, responsible parties of their fair share toward these costs. These costs may be substantial and can exceed the value of the property. The presence of contamination, or the failure to properly remediate contamination, on a property may adversely affect the ability of the owner, operator or tenant to sell or rent that property or to borrow funds using such property as collateral and may adversely impact our investment in that property.

Federal regulations require building owners and those exercising control over a building's management to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials and potential asbestos-containing materials in their building. The regulations also set forth employee training, record keeping and due diligence requirements pertaining to asbestos-containing materials and potential asbestos-containing materials. Significant fines can be assessed for violation of these regulations. Building owners and those exercising control over a building's management may be subject to an increased risk of personal injury lawsuits by workers and others exposed to asbestos-containing materials and potential asbestos-containing materials as a result of these regulations. The regulations may affect the value of a building containing asbestos-containing materials and potential asbestos-containing materials in which we have invested. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and disposal of asbestos-containing materials and potential asbestos-containing materials when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for improper handling or a release to the environment of asbestos-containing materials and potentially asbestos-containing materials and may provide for fines to, and for third parties to seek recovery from, owners or operators of real estate facilities for personal injury or improper work exposure associated with asbestos-containing materials and potential asbestos-containing materials.

Prior to closing any property acquisition, we obtain Phase I environmental assessments in order to attempt to identify potential environmental concerns at the properties. These assessments are carried out in accordance with an appropriate level of due diligence and will generally include a physical site inspection, a review of relevant federal, state and local environmental and health agency database records, one or more interviews with appropriate site-related personnel, review of the property's chain of title and review of historic aerial photographs and other information on past uses of the property. We may also conduct limited subsurface investigations and test for substances of concern where the results of the Phase I environmental assessments or other information indicates possible contamination or where our consultants recommend such procedures. We cannot assure you that these assessments will discover every environmental condition that may be present on a property.

Competition

We encounter strong competition for investments in hotel properties. The hotel industry is highly competitive and our hotel properties are subject to competition from other hotels for guests. Competition is based on a number of factors, including convenience of location, brand affiliation, price, range of services, guest amenities, and quality of customer service. Competition is specific to the individual markets in which our properties are located and will include competition from existing and new hotels operated under brands in the full-service, select-service and extended-stay segments. We believe that properties flagged with a Marriott brand will enjoy the competitive advantages associated with their operations under such brand. Marriott's centralized reservation systems and national advertising, marketing and promotional services combined with the strong management expertise they provide should enable our properties to perform favorably in terms of both occupancy and room rates. We also believe that Marriott Rewards® will generate repeat guest business that might otherwise go to competing hotels. Increased competition would have a material adverse effect on occupancy, ADR and RevPAR or may require us to make capital improvements that we otherwise would not undertake, which may result in decreases in the profitability of our hotel properties.

We face competition for the acquisition of and investment in hotel properties from institutional pension funds, private equity investors, REITs, hotel companies and others who are engaged in the acquisition of hotels. Some of these entities have substantially greater financial and operational resources than we have and may have greater knowledge of the markets in which we seek to invest. This competition may reduce the number of suitable investment opportunities offered to us and increase the cost of acquiring our targeted hotel property investments. Although we expect that our investment sourcing relationship with Marriott will continue to provide us with a continuing source of investment opportunities, Marriott is under no binding commitment to provide us with any such opportunities, as described under "Our Business—Our Investment Sourcing Relationship With Marriott."

Employees

We currently employ nine full-time employees. We anticipate hiring a number of additional full-time employees following the completion of this offering. We believe that our relations with our employees are good. None of our employees is a member of any union; however, the employees of Marriott working at our Courtyard Manhattan/Fifth Avenue hotel are currently represented by a labor union and are subject to a collective bargaining agreement.

Legal Proceedings

We are not involved in any material litigation nor, to our knowledge, is any material litigation pending or threatened against us, other than routine litigation arising out of the ordinary course of business or which is expected to be covered by insurance and not expected to harm our business, financial condition or results of operations.

Regulation

Our properties must comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Insurance

We carry comprehensive liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy. We do not carry insurance for generally uninsured losses such as loss from riots, war or acts of God. In addition, we carry earthquake insurance on our properties in an amount and with deductibles which we believe are commercially reasonable. Certain of the properties in our portfolio are located in areas known to be seismically active. See "Risk Factors—Risks Related to the Hotel Industry—Uninsured and underinsured losses could adversely affect our operating results and our ability to make distributions to our stockholders."

OUR PROPERTIES

Our Initial Hotel Properties

We own seven hotel properties. All of these hotel properties are currently managed by Marriott. We believe that each of these properties is adequately covered by insurance. The following table sets forth certain operating information for each of our initial hotels. This information includes periods prior to our acquisition of these hotels:

Property	Location	Number of Rooms(1)	Average Occupancy(2)	ADR(2)	RevPAR(2)
Courtyard Manhattan/ Midtown East	New York, New York	307	89.2%	$199.43	$ 177.85
Torrance Marriott	Los Angeles County, California	487	77.4	99.63	77.16
Salt Lake City Marriott Downtown	Salt Lake City, Utah	510	67.9	115.51	78.49
Marriott Griffin Gate Resort	Lexington, Kentucky	408	68.0	110.11	74.90
Bethesda Marriott Suites	Bethesda, Maryland	274	74.6	153.73	114.73
Courtyard Manhattan/ Fifth Avenue	New York, New York	189	89.3	140.96	125.88
The Lodge at Sonoma Renaissance Resort & Spa	Sonoma, California	182	65.1	187.34	122.03
TOTALS/WEIGHTED AVERAGES		2,357	75.0%	$136.21	$ 102.11

(1) As of December 31, 2004.

(2) For the fiscal year ended December 31, 2004.

The following table sets forth information regarding our investment in each of our initial hotels:

Property	Location	Year Opened	Number of Rooms(1)	Purchase Price (2)	Pre-Funded Capital Improvements(3)	Post-Acquisition Funded Capital Improvements(4)	Total Projected Investment	Total Projected Investment Per Room(5)
Courtyard Manhattan/ Midtown East	New York, New York	1998	307	$ 78,857,000	$ 3,500,000	$ —	$ 82,357,000	$ 268,264
Torrance Marriott	Los Angeles County, California	1985	487	72,002,000	10,000,000	—	82,002,000	168,382
Salt Lake City Marriott Downtown	Salt Lake City, Utah	1981	510	53,345,000	3,760,531	939,469	58,045,000	113,814
Marriott Griffin Gate Resort	Lexington, Kentucky	1981	408	49,842,000	1,700,000	—	51,542,000	126,328
Bethesda Marriott Suites	Bethesda, Maryland	1990	274	41,892,000	830,000	3,170,000	45,892,000	167,489
Courtyard Manhattan/ Fifth Avenue	New York, New York	1990	189	39,740,000	4,100,000	—	43,840,000	231,958
The Lodge at Sonoma Renaissance Resort & Spa	Sonoma, California	2001	182	32,345,000	—	—	32,345,000	177,720
TOTALS/WEIGHTED AVERAGES			2,357	$ 368,023,000	$ 23,890,531	$ 4,109,469	$ 396,023,000	$ 168,020

(1) As of December 31, 2004.
(2) Purchase price includes, for each hotel property, all amounts paid to the seller, assumed debt and amounts paid for working capital plus costs paid to third-party professional fees in connection with our purchase, but does not include costs related to mortgage debt used by us to finance the purchase of the hotel property.
(3) Pre-funded capital improvements are capital improvements projected to occur in 2005 and 2006 which reflect amounts already funded into various escrow accounts and include furniture, fixtures and equipment reserves and lender-required reserves.
(4) Represents projected capital improvements for 2005 and 2006 that have not been pre-funded into an escrow account.
(5) Total projected investment per room, for each hotel property, is the sum of the purchase price, pre-funded capital improvements and projected capital improvements as set forth in this table, divided by the number of rooms.

Courtyard Manhattan/Midtown East

Location and Demand Generators: The Courtyard Manhattan/Midtown East is located in Manhattan's East Side, on Third Avenue between 52nd and 53rd Streets. Demand for the hotel is generated by nearby financial services and other firms located in Midtown Manhattan.

The Property: We hold a fee simple interest, which represents a 47.7% interest in the 866 Third Avenue Condominium; the rest of the condominium is owned predominately (48.2%) by the building's other major occupant, Memorial Sloan-Kettering. The hotel contains 307 guestrooms and occupies the lobby area on the 1st floor, all of the 12th-30th floors and its pro rata share of the condominium's common elements. The hotel was converted from office use and had its grand opening in 1998 as a Courtyard by Marriott.

In 1998, the prior owners entered into a long-term management agreement with Marriott to have the hotel managed and operated as a Courtyard. The hotel achieved net operating income of $8.5 million in 2000. Following the post-9/11 downturn in the New York City hotel market, the prior owners filed a Chapter 11 bankruptcy case in October 2003 with the intention of rejecting the Marriott hotel management agreement and converting the hotel into residential condominium units. After substantial litigation with Marriott, the owners and Marriott agreed to resolve their disputes by selling the hotel to Marriott. In November 2004, the bankruptcy court confirmed the proposed plan, which provided, among other things, for the sale of the hotel to Marriott for $75 million. During this time and prior to signing the purchase and sale agreement, Marriott worked exclusively with us to determine our level of interest in acquiring the hotel. As a result of these discussions, on the day of the real estate closing, Marriott assigned the purchase and sale agreement to us and we took title to the hotel directly from the prior owners. In addition, Marriott also contributed to us $2.5 million of non-recoverable key money in return for our agreement to enter into a new, long-term management agreement.

The hotel has enjoyed a more than 68% improvement in net operating income from 2003 to 2004 as the general hotel market in New York City has improved. We believe that the hotel will continue to benefit from continued improvement in the market.

We have budgeted $3.5 million for a complete guestroom and public space renovation in 2005, or $11,401 per room. We intend to target the higher end of the market as a result of many of these improvements, which also include installing granite vanities in the bathrooms and upgrading the shower surround with ceramic tile. We believe that the improving hotel market in New York City and the planned capital improvements will position this hotel to take advantage of its location and continuing improvement in the hotel industry.

Additional property highlights include:

Guestrooms:

- 307 guestrooms, including 8 suites, 182 king rooms and 117 double/double rooms. The guestrooms average 366 square feet in size.

Meeting Space:

- 3 meeting rooms; 1,500 square feet of total meeting space.

Food and Beverage:

- East Side Café, with 82 seats.
- East Side Lounge, with 22 seats.

Other Amenities:

- Fitness Center.

Competition: Competitor hotels include The Metropolitan, The Crowne Plaza @ United Nations, The Roosevelt and Radisson.

Operating and Occupancy Information

	Fiscal Year				
	2000	2001	2002	2003	2004
Room Revenue	$ 20,742,000	$ 16,513,000	$ 16,099,000	$ 14,898,000	$ 19,874,000
ADR	$ 204.37	$ 176.31	$ 168.79	$ 161.66	$ 199.43
Occupancy %	91.0%	83.8%	83.7%	82.5%	89.2%
RevPAR	$ 185.98	$ 147.77	$ 141.35	$ 133.32	$ 177.85

Torrance Marriott

Location and Demand Generators: The Torrance Marriott is located adjacent to the Del Amo Fashion Center mall, the third largest mall in America, ten miles from Los Angeles International Airport and less than two miles from the Pacific Ocean in the South Bay area of Los Angeles County. The hotel benefits from the fact that hotel room supply growth in Los Angeles has remained at relatively low levels, averaging only 0.62 percent per year between 1992 and 2003, lower than New York City over the same period of time.

Torrance is a major automotive center. Three major Japanese automobile manufacturers, Honda, Nissan and Toyota, have their U.S. headquarters in the Torrance area and generate significant demand for the hotel. The hotel is also expected to benefit from the $160 million planned renovation and expansion of the Del Amo Fashion Center mall, which was purchased by the Mills Corporation in 2003.

The Property: We own a fee simple interest in the hotel. The hotel was completed in 1985 and includes 487 guestrooms, including 11 suites, within a 17-story building. The property includes over 700 parking spaces in a three-story parking deck adjacent to the hotel.

At the time of our acquisition, the hotel was managed by Marriott and owned by Host Marriott Corporation, or Host, which had the right to sell the hotel subject to a Marriott franchise agreement and terminate the Marriott management agreement. Marriott will provide us with $3 million in key money as an inducement to enter into a long-term management agreement. We successfully negotiated with Host to purchase both the Salt Lake City Marriott Downtown and the Torrance Marriott for a combined purchase price. We believe the Marriott key money was essential in our ability to win the bid for the two hotels.

We have developed an intensive capital improvement and repositioning plan for this hotel and plan to spend $10 million in 2005 and 2006, or almost $20,534 per room, to replace the guestroom softgoods, renovate the lobby, food and beverage outlets and meeting space, and convert the gift shop to a Starbuck’s outlet. We also see an opportunity to introduce new concepts for two of the property’s food and beverage outlets. We believe that our repositioning plan will allow this hotel to improve guest satisfaction, entice more group business, improve local catering sales and command higher rates. The hotel generated net operating income of $6.2 million in 2000.

Additional property highlights include:

Guestrooms:

- 487 guestrooms, including 11 suites, 260 king rooms and 216 double/double rooms.

Meeting Space:

- Approximately 23,000 total square feet of indoor and outdoor meeting space;
- 10,080 square foot Grand Ballroom and 19 meeting rooms; and
- 7,000 square foot outdoor meeting pavilion.

Food and Beverage:

- Garden Court Restaurant;
- Pitcher's Sports Bar; and
- Lobby Lounge.

Other Amenities:

- Indoor/Outdoor Pool;
- Children's Pool;
- Fitness Center;
- Jacuzzi;
- Car Rental Desk; and
- Barber/Beauty Shop.

Competition: Competitor hotels include The Crowne Plaza Redondo Beach, Hilton Torrance, Hilton Carson Civic Plaza and Marriott Manhattan Beach.

Operating and Occupancy Information

	Fiscal Year				
	2000	**2001**	**2002**	**2003**	**2004**
Room Revenue	$ 16,469,000	$ 15,837,000	$ 13,691,000	$ 13,171,000	$ 13,678,000
ADR	$ 107.49	$ 107.71	$ 91.69	$ 90.76	$ 99.63
Occupancy %	86.4%	82.9%	82.6%	81.9%	77.4%
RevPAR	$ 92.91	$ 89.34	$ 75.78	$ 74.30	$ 77.16

Salt Lake City Marriott Downtown

Location and Demand Generators: The Salt Lake City Marriott Downtown is located in downtown Salt Lake City across from the Salt Palace Convention Center near Temple Square, 15 minutes from Salt Lake City Airport.

Demand for the hotel is generated primarily by the Convention Center, the Church of Jesus Christ of Latter-Day Saints, University of Utah, government offices and nearby ski destinations. The hotel is connected to Crossroads Plaza Mall, which is expected to undergo a major reconstruction as part of a redevelopment that is expected to include the construction of up to 900 residential units. Moreover, the Crossroads Plaza Mall has recently signed Nordstrom's to a new lease. We believe the hotel will also benefit from the planned establishment by the Church of Jesus Christ of Latter-Day Saints of a major university, with enrollment of up to 10,000 students, near the hotel.

The Property: We hold ground lease interests in the hotel and the extension that connects the hotel to Crossroads Plaza Mall. The term of the ground lease for the hotel runs through 2056, inclusive of renewal options. The Salt Lake City Marriott Downtown hotel was completed in 1981 and includes 510 guestrooms. In 2004, Host engaged real estate brokers to sell the Salt Lake City Marriott Downtown and Torrance Marriott. We negotiated with Host to purchase both hotels (which were originally marketed separately) for a combined purchase price. We assumed the existing hotel management agreement with Marriott in connection with the acquisition of this hotel.

Between 2000 and 2002, the hotel made approximately $9.4 million in capital expenditures, including the replacement of softgoods in the guestrooms and a refurbishment of the lobby, ballroom and public space, incurred in connection with the 2002 Olympic games.

Additional property highlights include:

Guestrooms:

- 510 guestrooms, including 6 suites, 231 king rooms and 278 double/double rooms.

Meeting Space:

- Approximately 22,300 total square feet of meeting space; and
- A 14,000 square foot Grand Ballroom.

Food and Beverage:

- Elevations Restaurant, with 132 seats;
- Pitcher's Sports Bar, with 22 seats; and
- Destinations Coffee Shop.

Other Amenities:

- Indoor/Outdoor Pool;
- Fitness Center;
- Sauna; and
- Car Rental Desk.

Competition: Competitor hotels include Hilton, Marriott City Center, Little America, Hotel Monaco, Sheraton and Grand America.

Operating and Occupancy Information

	Fiscal Year				
	2000	2001	2002	2003	2004
Room Revenue	$ 16,363,000	$ 13,917,000	$ 18,099,000	$ 14,504,000	$ 14,570,000
ADR	$ 121.76	$ 116.79	$ 130.82	$ 118.55	$ 115.51
Occupancy %	72.4%	64.2%	73.1%	65.9%	67.9%
RevPAR	$ 88.14	$ 74.97	$ 95.66	$ 78.13	$ 78.49

Marriott Griffin Gate Resort

Location and Demand Generators: Marriott Griffin Gate Resort is located north of downtown Lexington, Kentucky. The hotel is near all the area's major corporate office parks and regional facilities of a number of major companies such as IBM, Toyota, Lexel Corporation and Lexmark International. The hotel also generates demand because of its proximity to downtown Lexington, the University of Kentucky, the historic Keeneland Horse Track and the Kentucky Horse Park.

The Property. The hotel is a 163-acre regional resort that contains three distinct components: the seven story main hotel and public areas, the Griffin Gate Golf Club, with the Rees Jones-designed 18-hole golf course, and The Mansion (which was originally constructed in 1854 and was Lexington's first AAA 4-diamond restaurant). We own the fee interest in the hotel, The Mansion, and the Griffin Gate Golf Club generally; however, there is a ground lease interest under approximately 54 acres of the golf course. The ground lease runs through 2033, with extensions, and contains a favorable buyout right beginning at the end of the current renewal term in 2008 and on any renewal date thereafter.

The hotel was originally opened in 1981. The original developer of the resort sold it to the hotel's interim owner, which recapitalized the hotel in the 1990s and Marriott provided a guarantee on the first mortgage debt at that time. The interim owner did not invest sufficient capital in the hotel during its ownership period and the hotel's operating results began to decline at the end of the 1990s. The deterioration in the hotel product and operating performance continued into the early part of this decade, with the hotel generating cash flows insufficient to support its debt service. In 2003, Marriott acquired the first mortgage. Later that same year, it negotiated with the interim owner and took title to the resort for nominal consideration. Marriott then initiated a major renovation and repositioning of the resort with an approximately $10 million capital improvement plan.

Prior to our formation, Marriott engaged a real estate broker to market the hotel on its behalf. After our formation, Marriott agreed to withdraw the resort from the market and negotiate with us on an exclusive basis. We purchased the hotel from Marriott in December 2004.

We plan to complete the renovation plan in 2005 with an additional investment of approximately $3 million, or $7,753 per room. The renovation and repositioning plan are designed to allow the resort to once again gain its leading market position, improve the guest experience and attract more group meeting planners.

Additional property highlights include:

Guestrooms:

- 387 guestrooms and 21 suites, including Presidential Suites. All guestrooms provide modern, high-end services, including high speed internet.

Meeting Space:

- 13,000 square feet of meeting space.

Food and Beverage:

- 19th Hole, a fast-food restaurant;
- JW Steakhouse;
- Griffin Gate Gardens, which provides casual American meals;
- Mansion at Griffin Gate, which provides upscale American cuisine;
- Pegasus Lounge;
- Top Deck Poolside Bar; and
- Starbucks.

Other Amenities

- Fitness center;
- Spa;

- Indoor and outdoor pool;
- Tennis courts;
- Playground;
- Car rental desk; and
- Gift shop/newsstand.

Competition: Competitor hotels include Sheraton Suites, The Crowne Plaza, Embassy Suites of Lexington, Hilton Suites of Lexington Green, Hyatt Regency and Radisson Plaza Hotel.

Operating and Occupancy Information

	Fiscal Year				
	2000	2001	2002	2003	2004
Room Revenue	$ 11,092,000	$ 9,806,000	$ 10,551,000	$ 10,667,000	$ 11,151,000
ADR	$ 107.76	$ 103.66	$ 99.91	$ 103.53	$ 110.11
Occupancy %	69.3%	63.7%	69.8%	69.4%	68.0%
RevPAR	74.69	$ 66.03	$ 69.70	$ 71.83	$ 74.90

Bethesda Marriott Suites

Location and Demand Generators: Bethesda Marriott Suites is located in the Rock Spring Corporate Office Park near downtown Bethesda, Maryland, with convenient access to Interstates 270 and 495 (the Beltway) and the I-270 Technology Corridor. Rock Spring Corporate Office Park contains several million feet of office space and includes companies such as Marriott, Host and Lockheed Martin Corp., as well as the National Institute of Health.

The Property: We hold a ground lease interest in the property. The current term of the ground lease will expire in 2087. The hotel was completed in 1990 and includes 274 guestrooms, all of which are suites. The property includes a connected parking garage with 321 spaces.

The hotel previously was operated under a lease arrangement between the owner and Marriott that created negative tax implications for any purchaser that had elected to be treated as a REIT. During our due diligence period, we worked with Marriott to change the lease into a hotel management agreement consistent with our intention to qualify as a REIT. Although the economics of the lease generally were preserved, the new management agreement provides us with certain additional rights over personnel decisions, capital expenditures and budget approvals. As an inducement for Marriott to restructure its contractual relationship with the hotel, we agreed to advance the timing of the next guestroom renovation from 2006 to 2005.

We expect to spend approximately $4 million in capital expenditures in 2005, or $14,600 per room, for the refurbishment of guestrooms, to reposition the hotel property for higher-rated business.

Additional property highlights include:

Guestrooms:

- 274 guestrooms, all of which are suites.

Meeting Space:

- Approximately 4,300 square feet of total meeting space.

Food and Beverage:

- Democracy Grille; and
- Lobby Lounge.

Other Amenities:

- Indoor/Outdoor Pool;
- Fitness Center; and
- Gift Shop.

Competition: Competitor hotels include Hyatt Regency Bethesda, Embassy Suites, Doubletree Hotel, Holiday Inn Bethesda, Sheraton Four Points, Bethesda Marriott and Bethesda North Marriott.

Operating and Occupancy Information

	Fiscal Year				
	2000	2001	2002	2003	2004
Room Revenue	$ 12,223,000	$ 10,713,000	$ 10,031,000	$ 10,918,000	$ 11,443,000
ADR	$ 149.66	$ 153.76	$ 138.89	$ 144.65	$ 153.73
Occupancy %	81.9%	69.9%	71.0%	75.7%	74.6%
RevPAR	$ 122.56	$ 107.41	$ 98.68	$ 109.47	$ 114.73

Courtyard Manhattan/Fifth Avenue

Location and Demand Generators: The Courtyard Manhattan/Fifth Avenue is located on 40th Street, just off of Fifth Avenue in Midtown Manhattan, across the street from the New York Public Library. The hotel generates demand from its convenient tourist and business location. It is within walking distance from Times Square, Broadway theaters, Grand Central Station, Rockefeller Center and the Empire State Building.

The Property. We hold a ground lease interest in the hotel. The term of the ground lease expires in 2085, inclusive of one 49-year extension. The hotel opened in 1990 as a Journey's End-branded hotel and has since changed brands a number of times. The hotel includes 189 guestrooms.

The prior owner of the hotel invested $3.7 million in 1999 to refurbish the hotel and convert it to a Clarion brand pursuant to a five-year agreement. Upon the end of that agreement, the hotel operated under the name Hotel 5A, a non-franchised brand. The hotel generated net operating income of $3.4 million in 2000. The hotel's lack of strong brand affiliation adversely impacted operating results. In 2004, the previous owner engaged a national brokerage firm to market the hotel for sale and, through our management team's relationship with the broker, we learned about the opportunity to purchase this hotel before it was broadly marketed.

Between the time we learned of the opportunity to purchase the hotel and the bid date, we informed Marriott of this opportunity, and Marriott agreed to work with us on an exclusive basis to determine if the hotel was physically suitable to be converted to a Courtyard by Marriott hotel brand. The hotel was operating at a significant discount to the comparably located Courtyard Manhattan/Midtown East, located at 366 Third Avenue. The ADR at the hotel in 2004 was $58 lower than that of Courtyard Manhattan/Midtown East. Prior to the bid date, we worked with Marriott to develop a $4.0 million rebranding, renovation and repositioning plan to convert the hotel to a Courtyard by Marriott and take advantage of the hotel's excellent location and the strength of the Marriott brand. Marriott provided $1 million of key money to enter into a long-term hotel management agreement with Marriott. We submitted a bid, won the bid process and acquired the hotel in December 2004, and the hotel was re-branded as a Courtyard by Marriott in January 2005.

We expect to spend $4.0 million for capital improvements in 2005, or $22,700 per room, in connection with the re-branding, renovation and repositioning plan. The capital improvement plan includes purchasing new furniture and bedding for the guestrooms, renovation of the bathrooms with granite vanity tops, installation of a new exercise facility, construction of a boardroom meeting space and modifications to make the hotel more accommodating to persons with disabilities.

Additional property highlights include:

Guestrooms:

- 189 guestrooms, averaging 184 square feet in size.
- In connection with the renovation, eight of the rooms will be combined into four suites, approximately 300 square feet in size, bringing the new room count to 185.

Meeting Space:

- A Board Room on the second level of the hotel will be added in 2005.

Food and Beverage:

- Salmon River Restaurant and Lounge, with access to the hotel lobby, is leased to an independent operator subject to a 10-year lease that commenced in 2000.

Other Amenities:

- Fitness Center will be added in 2005; and
- Business library.

Competition: Competitor hotels include The Mansfield, The Algonquin, Sheraton Russell, Jolly Hotel Madison and The Crowne Plaza.

Operating and Occupancy Information

	Fiscal Year				
	2000	2001	2002	2003	2004
Room Revenue	$ 10,609,000	$ 7,625,000	$ 7,842,000	$ 7,134,000	$ 8,684,000
ADR	$ 189.21	$ 155.44	$ 139.14	$ 129.11	$ 140.96
Occupancy %	81.3%	71.1%	81.5%	80.1%	89.3%
RevPAR	$ 153.83	$ 110.53	$ 113.37	$ 103.41	$ 125.88

The Lodge at Sonoma Renaissance Resort & Spa

Location and Demand Generators: The Lodge at Sonoma Renaissance Resort and Spa is located in the heart of the Sonoma Valley wine country, 45 miles from San Francisco, in the town of Sonoma, California. Numerous wineries are located within a short driving distance from the resort. The area is served by the Sacramento, Oakland and San Francisco airports. The resort is readily accessible by a variety of local, county, and state highways, including Highway 101. Leisure demand is generated by Sonoma Valley and Napa Valley wine country attractions. Group and business demand is primarily generated from companies located in San Francisco and the surrounding Bay Area, and some ancillary demand is generated from the local wine industry.

The Property: We own a fee simple interest in the hotel, which is comprised of the main two-story Lodge building, including 76 guestrooms and 18 separate cottage buildings, containing the remaining 102 guestrooms and 4 suites. The Raindance Spa is located in a separate two-story building at the rear of the cottages.

The hotel was constructed for a total cost of approximately $53 million and opened in early 2001. The opening coincided with the decline in the hotel market in the San Francisco Bay Area market that began with the technology industry downturn and was exacerbated by the terrorist events of September 11, 2001. In connection with the initial construction of the resort, Marriott issued a mezzanine loan with a lower priority of repayment to a senior loan. The original owners were unable to make any debt service payments on either the senior loan or the mezzanine loan. In addition to its interest as hotel manager, Marriott dedicated significant resources to work with the senior lender and owners of this resort to protect its financial interest as subordinate lender.

In 2004, Marriott negotiated and purchased the senior loan at a discount. Subsequently, Marriott purchased all of the outstanding equity from the original owners. We negotiated exclusively with Marriott to purchase the resort. In October 2004, we acquired the resort from Marriott for 60% of original construction cost. As the resort is still relatively new, no major capital expenditures are expected in the short term.

We plan to aggressively asset manage the resort. We expect that the resort will benefit from the recovering hotel market in the Bay Area. The 2004 net operating income was 63% higher than 2003. We have met with Marriott's property management team and collectively agreed to modify the marketing of the resort to attract small group business during the traditionally slow mid-week period. We believe this strategy will have a positive result on future operating results.

Additional property highlights include:

Guestrooms:

- 182 guestrooms, including four suites, averaging 385 square feet in size. Most guestrooms have either a balcony or patio.
- King rooms and suites feature gas fireplaces.

Meeting Space:

- Approximately 22,000 square feet of total meeting and banquet space, including a 3,080 square-foot ballroom with a seating capacity of 290 and the separate Stone Building offering 2,304 square feet of additional banquet space.

Food and Beverage:

- Restaurant Carneros; and
- Fireside Coffee Bar & Gallery Lounge.

Spa:

- Raindance Spa, a 10,525 square foot full-service spa with 15 treatment rooms;
- Outdoor area featuring therapy pools and treatment cabanas; and
- Spa gift shop.

Other Amenities:

- Outdoor Swimming Pool & Whirlpool;
- Health Club;

- Gift Shop; and
- Business Center.

Competition: Competitor hotels include the Santa Rosa Hilton, Hyatt Vineyard Creek, Embassy Suites Napa, Sonoma Mission Inn, MacArthur Place and Doubletree Sonoma County.

Operating and Occupancy Information

	Fiscal Year			
	2001(1)	2002	2003	2004
Room Revenue	$5,031,000	$7,117,000	$7,626,000	$8,084,000
ADR	$ 168.03	$ 180.00	$ 190.74	$ 187.34
Occupancy %	48.9%	58.6%	60.4%	65.1%
RevPAR	$ 82.11	$ 105.41	$ 115.12	$ 122.03

(1) The hotel opened on January 27, 2001.

Mortgage Debt

The following table sets forth as of December 31, 2004, after giving effect to our acquisition of the Torrance Marriott Hotel in January 2005, our debt obligations on our hotel properties:

Property	Principal Balance	Prepayment Penalties	Interest Rate	Maturity Date	Amortization Provisions
Courtyard Manhattan/Midtown East	$ 45,000,000	No(1)	5.20%	12/09	25 years
Torrance Marriott	44,000,000	No(2)	LIBOR(10) + 2.50%	1/07(6)	Interest Only
Salt Lake City Marriott Downtown	39,000,000	Yes(1)	5.50%	12/14	20 years(9)
Marriott Griffin Gate Resort	31,000,000	Yes	5.11%	12/09	25 years
Bethesda Marriott Suites	19,827,573	Yes(3)	7.69%	2/23	25 years
Courtyard Manhattan/Fifth Avenue	23,000,000	No(4)	LIBOR(10) + 2.70%	1/07(7)	Interest Only
The Lodge at Sonoma Renaissance Resort & Spa	20,000,000	No(5)	LIBOR(10) + 2.40%	11/06(8)	Interest Only
Total:	$ 221,827,573				

(1) The debt may not be prepaid until three months prior to the maturity date of the mortgage loan.
(2) The debt may be prepaid at any time except during the period from July 13, 2005 to January 13, 2006. We intend to repay the debt with the proceeds of this offering.
(3) The debt may be prepaid. If it is prepaid prior to August 2012, it is subject to a prepayment fee equal to the greater of i) one percent of the outstanding principal amount or ii) a yield maintenance premium determined as set forth in the Deed of Trust.
(4) The debt may be prepaid at par as of December 2005. We intend to repay the debt with the proceeds of this offering.
(5) The debt may be prepaid at par at any time except during certain days each month as specified in the applicable loan agreement. We intend to repay the debt with the proceeds of this offering.

(7) The debt allows for three one-year extensions provided that certain conditions are met.
(8) The debt allows for three one-year extensions provided that certain conditions are met.
(9) The debt allows for one 12-month extension provided that certain conditions are met.
(10) There is an accelerated amortization provision based on a predetermined formula of available cash flow.
(11) We have entered into an interest rate cap on this debt.

Our Acquisition Properties

Proposed Acquisitions Under Contract. We intend to use a portion of the net proceeds from this offering to expand our initial portfolio by acquiring and investing in additional hotel properties. As of the date of this prospectus, we have properties under contract that we consider to be "probable" acquisitions. The following table sets forth information regarding those properties:

Property	Location	Year Opened	Number of Rooms(1)	Average Occupancy(2)	ADR(2)	RevPAR(2)

Property	Location	Year Opened	Number of Rooms(1)	Purchase Price (2)	Pre-Funded Capital Improvements(3)	Projected Capital Improvements(4)	Total Projected Investment Per Room(5)

We cannot assure you that we will acquire any of these properties because each proposed acquisition is subject to a variety of factors including: (i) our completion of satisfactory due diligence and (ii) the satisfaction of closing conditions, including the receipt of third-party consents and approvals.

Letters of Intent. In addition to the properties set forth above that we have under contract and that we consider probable, as of the date of this prospectus, we have additional properties under non-binding letters of intent. The properties under these letters of intent have an aggregate acquisition cost of approximately $. We also cannot assure you that we will acquire any of the properties under these letters of intent because the letters of intent are non-binding and each of these transactions is subject to a variety of factors including: (i) the willingness of the current property owner to proceed with a transaction; (ii) our completion of satisfactory due diligence; (iii) the negotiation and execution of a mutually acceptable binding definitive purchase agreement and hotel management agreement (or assumption of an existing hotel management agreement); and (iv) the satisfaction of closing conditions, including the receipt of third-party consents and approvals.

OUR PRINCIPAL AGREEMENTS

The following summary of the terms of our principal agreements does not purport to be complete and is subject to and qualified in its entirety by reference to the actual agreements, copies of which are exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

The Information Acquisition Agreement

The Information Acquisition Agreement, dated July 6, 2004, between Marriott and our company, provides for an investment sourcing relationship in which Marriott provides to our company certain information relating to opportunities to purchase full service, urban select service or urban extended stay hotels in the United States.

Term

The term of the Information Acquisition Agreement commenced on July 1, 2004 and continues through June 30, 2006.

Obligations

We and Marriott have agreed not to enter into certain strategic agreements with other third parties for a two-year period.

Default

If either party breaches the Information Acquisition Agreement, the non-breaching party's sole remedies are to seek injunctive relief or specific performance or to terminate the Information Acquisition Agreement.

Our Hotel Management Agreements

Our TRS lessees have entered into hotel management agreements with an affiliate of Marriott to manage the hotels as the property manager for each of our hotel properties.

Term

Our management agreements typically provide for an initial term that expires upon the end of the twentieth, thirtieth or fortieth full fiscal year after the effective date of the hotel management agreement. The term of the hotel management agreement is generally automatically renewed for a negotiated number of consecutive 10-year periods upon the expiration of the initial term unless the property manager gives notice to our TRS lessee of its election not to renew the hotel management agreement at least 300 days prior to the expiration of the then-current term.

The following table sets forth the property manager for each of our initial hotel properties, as well as the effective date, initial term and number of renewal terms under the respective hotel management agreements for each of our initial properties:

	Date of Hotel Management Agreement	Initial Term	Number of Renewal Terms
Courtyard Manhattan/Midtown East	11/04	30 years	Two 10-year periods
Torrance Marriott	1/05	40 years	None
Salt Lake City Marriott Downtown	12/01	30 years	Three 15-year periods
Marriott Griffin Gate Resort	12/04	20 years	One 10-year period
Bethesda Marriott Suites	12/04	21 years	Two 10-year periods
Courtyard Manhattan/Fifth Avenue	01/05	30 years	None
The Lodge at Sonoma Renaissance Resort & Spa	10/04	20 years	One 10-year period

Amounts Payable under our Hotel Management Agreements

Under our hotel management agreements, the Marriott affiliate receives a base management fee and, if certain financial thresholds are met or exceeded, an incentive management fee. The base management fee is generally payable as a percentage of gross hotel revenues for each fiscal year. The incentive management fee is generally based on hotel operating profits and is typically equal to between 20% and 25% of hotel property operating profits but the fee only applies to that portion of hotel operating profits above a negotiated return on our invested capital. We refer to this excess of operating profits over a return on our invested capital as "available cash flow."

The following table sets forth the base management fee and incentive management fee, generally due and payable each fiscal year, for each of our initial properties.

	Base Management Fee(1)	Incentive Management Fee(2)
Courtyard Manhattan/Midtown East	5%	25%(3)
Torrance Marriott	3%	20%(4)
Salt Lake City Marriott Downtown	3%	Not more than 20% (5)
Marriott Griffin Gate Resort	3%	20%(6)
Bethesda Marriott Suites	3%	50%(7)
Courtyard Manhattan/Fifth Avenue	5%(8)	25%(9)
The Lodge at Sonoma Renaissance Resort & Spa	3%	20%(10)

(1) As a percentage of gross revenues.

(2) Based on a percentage of hotel operating profits above a negotiated return on our invested capital, as more fully described in the following footnotes.

(3) Calculated as a percentage of operating profits in excess of 10.75% of the sum of (i) $73.7 million and (ii) the amount of certain capital expenditures.

(4) Calculated as a percentage of operating profits in excess of the sum of (i) $7.5 million and (ii) 10.75% of certain capital expenditures.

(5) The incentive management fee is equal to the available cash flow for each fiscal year, subject to a cap of 20% of operating profit for such fiscal year. Commencing with the fiscal year 2002, the operating profit

with respect to each fiscal year is reduced by an amount equal to 10.75% of all material capital expenditures funded by the TRS lessee; provided that the material capital expenditures are included in the calculation of the incentive management fee with respect to the fiscal year or fiscal years during which such expenditures occurred (on a pro rata basis).

(6) Calculated as a percentage of operating profits in excess of the sum of (i) $5.5 million and (ii) 10.75% of certain capital expenditures.

(7) Calculated as a percentage of operating profits in excess of the sum of (i) the payment of certain loan procurement costs, (ii) 10.75% of certain capital expenditures, (iii) an agreed-upon return on certain expenditures and (iv) the value of certain amounts paid into a reserve account established for the replacement, renewal and addition of certain hotel goods.

(8) The base management fee will be equal to 5.5% of gross revenues for fiscal years 2010 through 2014 and 6% for fiscal year 2015 and thereafter until the expiration of the agreement. Also, beginning in 2007, the base management fee may increase to 5.5% at the beginning of the next fiscal year if operating profits equal or exceed $4.7 million, and beginning in 2011, the base management fee may increase to 6.0% at the beginning of the next fiscal year if operating profits equal or exceed $5.0 million.

(9) Calculated as a percentage of operating profits in excess of 12% of the sum of (i) $38.8 million and (ii) the amount of certain capital expenditures, less 5% of the total real estate tax bill (for as long as the hotel is leased to a party other than the manager).

(10) Calculated as a percentage of operating profits in excess of the sum of (i) $3.6 million and (ii) 10.75% of capital expenditures.

Termination Events

Subject to the following exceptions, the hotel management agreements are generally non-terminable by our TRS lessee or the property manager.

- *Early Termination for Cause*. Subject to certain qualifications, including based on materiality, the hotel management agreements are generally terminable upon (i) casualty or condemnation of the hotel or (ii) the occurrence of certain events of default. Events of default under the hotel management agreements generally include:
  - the filing by either party of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law, or the admission by either party that it is unable to pay its debts as they become due;
  - the consent to an involuntary petition in bankruptcy or the failure to vacate, within 90 days from the date of entry thereof, any order approving an involuntary petition by either party;
  - the entering of an order, judgment or decree by any court, upon the application of a creditor, adjudicating either party as bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee, or liquidator of all or a substantial part of either party’s assets, that remains in effect for an aggregate of 60 days;
  - the failure of either party to make any payment required to be made under the hotel management agreement, as of the due date as specified in the agreement, and not cured within 10 days after receipt of notice from the non-defaulting party;
  - our TRS lessee or any of its affiliates being or becoming a specially designated national or blocked person; or
  - the failure of either party to perform, keep or fulfill any of its other covenants, undertakings, obligations or conditions set forth in the hotel management agreement, subject to a 30 day cure period.

If an event of default occurs and continues beyond the grace period set forth in the hotel management agreement, the non-defaulting party generally has, among other remedies, the option of terminating the applicable hotel management agreement, upon 30 days' notice to the other party, unless the defaulting party is the property manager, in which case 75 days' notice is required.

Performance Termination. The hotel management agreements are generally terminable by our TRS lessee earlier than the stated term, subject to certain limitations, as a result of the failure of the hotel to meet certain market and financial performance thresholds over a period of two consecutive years. In the event a performance termination is issued, the property manger may avoid termination of the agreement by making a cure payment to our TRS lessee. In the case of The Lodge at Sonoma Renaissance Resort and Spa, Courtyard Manhattan/Midtown East and Marriott Griffin Gate Resort, the applicable TRS lessee cannot terminate the hotel management agreement based on performance until 2009. In the case of Courtyard Manhattan/Fifth Avenue and Torrance Marriott, the applicable TRS lessee cannot terminate the hotel management agreement based on performance until 2011. The hotel management agreement for Marriott Salt Lake City Downtown does not provide for performance-based termination by our TRS lessee.

Sale or Lease of a Hotel

Under the hotel management agreements, we generally may not sell or lease the hotel to any person or entity that the property manager determines in its reasonable judgment:

- does not meet certain financial and liquidity requirements;
- is known in the community as being of bad moral character or has been convicted, or is under the control of a person or entity that has been convicted, of a felony;
- has an ownership interest in at least 10 full-service hotels or 25 select-service hotels that are competitors with Marriott or any Marriott affiliate; or
- is a "specially designated national or blocked person," as that term is defined by the U.S. Department of Treasury's Office of Foreign Assets Control.

Prior to offering the hotel for sale or negotiating with any third party, we generally must give the property manager notice of a possible sale or lease of the hotel. Upon receipt of a notice of sale or lease, we have generally agreed, for a period of 20 days, to negotiate with the property manager to reach a mutually satisfactory agreement for the purchase of the hotel by the property manager. If such agreement is not reached within the 20-day negotiation period or if such sale would jeopardize our REIT status, we may offer the hotel for sale or lease to a third party. We generally then must provide the property manager with a notice of proposed sale stating the name of the proposed purchaser, price or rental terms and terms and conditions of such sale or lease. Within 20 days of receipt of such notice, the property manager may either (1) elect to consent to the sale or lease and the assignment to the purchaser or tenant of the applicable hotel management agreement or (2) not consent to such sale or lease based on the purchaser or tenant not meeting the requirements listed above.

Under the hotel management agreement for Marriott Salt Lake City Downtown, we generally may not sell the hotel to any person or entity that the property manager determines:

- does not have sufficient financial resources and liquidity to fulfill the obligations of the hotel owner under the hotel management agreement;
- is itself, or is in control of or is controlled by, a person or entity that has been convicted of a felony involving moral turpitude; or
- is an operator (or a person or entity that controls an operator) of a branded full-service hotel chain with more than 10,000 rooms, or a branded select-service or extended-stay hotel chain with more than 25,000 rooms that is a competitor with Marriott or any Marriott affiliate.

Assuming we comply with all of the requirements to sell the hotel, including the above requirements regarding the identity of the buyer, the hotel management agreement for Marriott Salt Lake City Downtown does not require the property manager's consent for the sale of the hotel.

TRS Lessee Obligations

The hotel management agreements generally require our TRS lessee to fund working capital needs, fixed asset supplies, capital expenditures and any operating losses. Furthermore, the TRS lessee's financing of each hotel property cannot exceed certain debt service coverage ratios. The hotel management agreements generally also require that the hotel property meet the property manager's system standards regarding physical, operational and technological components of the applicable hotel property.

Property Manager Obligations

The hotel management agreements generally provide that, subject to certain limited owner approval rights, the property manager has control of all operational aspects of the hotel property, including employee-related matters, and is reimbursed for all direct and indirect operating expenses. The property manager also generally provides, among other things, centralized reservation systems, national advertising, marketing and promotional services and receives a service fee in the form of a deduction from gross revenues in exchange for such services. Furthermore, the property manager must generally maintain each hotel in good repair and condition and make such routine maintenance, repairs and minor alterations as it deems reasonably necessary. We generally initiate a reserve account to cover the cost of such maintenance and repair. The property manager also is generally responsible for paying on our behalf real estate or property taxes, with such payment to come from our hotel's cash flow.

Insurance

The hotel management agreements generally provide that our TRS lessee is responsible for obtaining and maintaining property insurance, business interruption insurance, flood insurance, earthquake insurance (if the hotel property is located in an "earthquake prone zone" as determined by the U.S. Geological Survey) and other customary types of insurance related to hotel properties.

Assignment

The hotel management agreements generally provide that neither the property manager nor our TRS lessee may assign their interest in the agreement without the other party's prior consent. However, the property managers of our properties, which are all Marriott affiliates, may generally assign its interests in the agreement without consent to Marriott or another Marriott affiliate or pursuant to a merger or sale of either Marriott or itself. Our TRS lessee may generally assign its interests in the agreement as security for a mortgage encumbering the hotel in accordance with the agreement and in connection with a sale of a hotel complying with the provisions of the agreement. In general, no assignment will release our TRS lessee from any of its obligations under its hotel management agreement.

Damage to Hotels

The hotel management agreements generally provide that if the hotel property suffers a "minor casualty," which is defined as repair or replacement cost in excess of 10% of the hotel's insured value, the property manager is required to proceed with necessary insurance claims and repair any such minor damage. In the event of a "total casualty," the agreement is generally terminable at the option of either party upon 90 days written notice to the other party. For any damage events that are more severe than minor but not a "total casualty," our TRS lessee is generally required at its cost and expense, and with all reasonable diligence, to repair and/or replace the damaged portion of the property to the same condition as it had existed previously. A "total casualty" is generally defined as any fire or other casualty that results in damage to the hotel property and its contents to the extent that the total cost of repairing and/or replacing the damaged portion of the hotel property to the same condition as it had existed previously would be 40% or more of the then-total replacement cost of the hotel property.

The hotel management agreement for Marriott Salt Lake City Downtown provides that our TRS lessee is required to repair or replace any damaged portion of the hotel. If damage or destruction of the Marriott Salt Lake City Downtown hotel adversely affects the operation of the hotel and our TRS lessee fails to timely commence and complete the repairing, rebuilding or replacement of the hotel so that it is in substantially the same condition as it was prior to such damage or destruction, the property manager may, at its option, elect to terminate the agreement upon 120 days prior written notice.

Condemnation of a Property

The hotel management agreements generally provide that if all or substantially all of the hotel property is taken (or a portion of the hotel property is taken, but the result is that it is unreasonable to continue to operate the hotel property) in any eminent domain, condemnation, compulsory acquisition, or similar proceeding, the agreement will terminate and each party will have the right to initiate proceedings to recover compensation for such taking.

Indemnity Provisions

The hotel management agreements generally provide that the property manager will indemnify our TRS lessee for any liabilities stemming from the general corporate matters of the property manager or its majority-owned affiliates, to the extent such matters are not directly and primarily related to the hotel property, and infringement and other claims relating to trademarks related to the property manager with respect to the applicable hotel property, among other things. In addition to the liabilities above, the hotel management agreement for Marriott Salt Lake City Downtown also provides that the property manager will indemnify our TRS lessee for any liabilities stemming from a failure to maintain adequate insurance coverage and the bad faith or willful misconduct of the property manager's agents or employees, in both cases, to the extent such liability exceeds the insurance proceeds available to pay such claims.

Our TRS lessee is generally responsible for indemnifying the property manager against liabilities arising from:

- a failure to procure and maintain insurance that the TRS lessee is required to procure and maintain under the hotel management agreements;
- a failure to make mortgage payments; and
- the presence of hazardous materials on the site of the hotel property, except where such hazardous materials are the result of the gross negligence or willful misconduct of a member of the property manager's executive team for that particular hotel property, in which case the property manager will indemnify our TRS lessee against any liabilities arising from the presence of hazardous materials on the site of the hotel property.

In the case of the hotel management agreement for Marriott Salt Lake City Downtown, (i) the property manager is responsible for indemnifying our TRS lessee against liabilities arising from the placing, discharge, leakage, use or storage of hazardous materials, in violation of applicable environmental laws, at the hotel property by the property manager's employees, representatives or agents and (ii) to the extent hazardous material is not the responsibility of the property manager, our TRS lessee is responsible for removing such hazardous material from the hotel property and indemnifying the property manager against liabilities arising from the presence of such hazardous material at the hotel property.

Our TRS Leases

In order for us to qualify as a REIT, neither our company, the operating partnership nor any subsidiary can operate our hotels. Our operating partnership, or subsidiaries of our operating partnership, as lessors, lease our hotels to our TRS lessee and our TRS lessee enters into hotel management agreements with a third-party manager to manage the hotels. We have engaged a Marriott affiliate as the property manager for each of our seven hotel properties. The leases for our hotel properties contain the provisions described below.

Lease Terms

Each lease has an initial term of five years, except for the lease relating to the Marriott Griffin Gate Resort, which has an initial term of six years, and is subject to early termination upon the occurrence of certain events of default and/or other contingencies described in the lease (including the provisions described below under "—Damage to Hotels," and "—Condemnation of Hotels").

Amounts Payable Under the Leases

During the term of each lease, our TRS lessee will be obligated to pay a fixed annual base rent plus a percentage rent and certain other additional charges. Base rent accrues and is paid quarterly. Percentage rent is calculated by multiplying fixed percentages by gross room revenues in excess of certain threshold amounts. Percentage rent is paid quarterly.

Other than real estate taxes, property taxes, certain insurance obligations and capital improvements, which are obligations of the lessor, the leases require our TRS lessee to pay rent, all costs and expenses and all utility and other charges incurred in the operation of the hotels it leases. The leases also provide for rent reductions and abatements in the event of damage to, or destruction or a partial taking of, any hotel as described under "—Damage to Hotels" and "—Condemnation of Hotels."

Maintenance and Modifications

Under each lease, the lessor is required to maintain the structural elements of the improvements and the roof of the property. Except for capital improvements and maintenance of structural elements, our TRS lessee is required, at its expense, to maintain the hotels in good order and repair, except for ordinary wear and tear, and to make non-structural repairs that may be necessary and appropriate to keep the property in good order and repair and that are least equivalent in quality to the original work. Our TRS lessee shall also maintain the property in the character as provided by Lessor and as required by the lease, and, if applicable, in compliance with the standards of the applicable hotel management agreement.

Insurance and Property Taxes

Under each lease, the lessor is responsible for paying real estate and personal property taxes with respect to our hotel properties. Additionally, the lessor is obligated to maintain and cover the costs of (i) obtaining insurance covering the building of which the leased premises is a part, fixtures and personal property on an "all risk," broad form basis, against such risks as are customarily covered by such insurance (including boiler and machinery insurance and damage resulting from flood) and (ii) business interruption insurance. The TRS lessee is required to pay for all liability insurance on the hotels, including commercial general liability, workers' compensation, employment practices general liability, crime, auto, liquor liability, innkeepers legal liability, insurance covering such other hazards (such as plate glass or other common risks) and other insurance appropriate and customary for properties similar to their respective hotels and naming us, as the case may be, as an additional named insured.

Assignment, Subleasing and Change of Control

Our TRS lessee is not permitted to sublet all or any part of a property or to assign its interest under the lease without our prior written consent. In case of either an assignment or subletting made during the term of the Lease, the TRS lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of rent and for the performance and observance of all of the covenants and conditions to be performed by it.

Damage to Hotels

In the event the hotel property is totally or partially damaged and rendered unsuitable or uneconomic for its primary use, the lease shall terminate and neither party shall have further liability, except for liabilities that arose prior to such damage. If the hotel property is partially destroyed by a risk covered by insurance and the property is not rendered unsuitable or uneconomic for its primary use, we, or, at our election the TRS lessee, shall restore the property to substantially the same condition as existed immediately prior to such damage or destruction and the lease shall not terminate. If any repair to the hotel exceeds the coverage of such insurance, we must contribute any excess amounts needed to restore the property prior to requiring the TRS lessee to commence any repairs.

Condemnation of Hotels

In the event of a total condemnation of a hotel property, the relevant lease will terminate with respect to such hotel as of the date of such condemnation. In the event of a partial taking that renders the property unsuitable or uneconomic for its primary intended use, then either party shall have the right to terminate the lease. In either of the above two situations, each party will be entitled to its share of any condemnation award in accordance with the provisions of the lease. In the event of a partial taking that does not render the property unsuitable for the lessee's use, we, or at our election the TRS lessee, shall restore the untaken portion of the property to a complete architectural unit of the same general character and condition as existed immediately prior to the condemnation, subject to the receipt of sufficient condemnation awards.

Events of Default

Events of default under the leases include, among others, the following:

- the failure by our TRS lessee to pay base rent, percentage rent or additional charges within 10 days after receipt by lessee of a notice of default;
- the failure by our TRS lessee to observe or perform any other term, covenant or condition of a lease and the continuation of such failure for a period of 30 days after receipt by our TRS lessee of notice from us thereof, unless such failure cannot with due diligence be cured within such period and our TRS lessee commences appropriate action to cure such failure and diligently completes the curing thereof, but in no event shall the cure period extend beyond 120 days after notice;
- if our TRS lessee files a petition in bankruptcy or reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law, or is adjudicated a bankrupt or makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of our TRS lessee as a bankrupt or its reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law is filed in any court and our TRS lessee is adjudicated a bankrupt and such adjudication is not vacated or set aside or stayed within 60 days after the entry of an order in respect thereof, or if a receiver of our TRS lessee or of all or substantially all of the assets of our TRS lessee is appointed in any proceeding brought by our TRS lessee or if any such receiver, trustee or liquidator is appointed in any proceeding brought against our TRS lessee and such appointment is not vacated or set aside or stayed within 60 days after such appointment; or
- if our TRS lessee voluntarily discontinues operations of a hotel for more than 30 days, except as a result of damage, destruction, renovation or a partial or complete condemnation.

If an event of default occurs and continues beyond any curative period, we will have the option of reclaiming the leased property. We intend that leases with respect to our hotels acquired in the future will contain substantially similar provisions, although we may, in our discretion, alter any of these provisions with respect to any particular lease.

Termination of Leases on Disposition of the Hotels

We have the right to terminate the lease by either (i) paying our TRS lessee a termination fee or (ii) offering to lease to our TRS lessee a substitute hotel reasonably comparable in size, number of rooms, quality of franchise operation, market and geographical location and gross revenues, to be governed by the terms and conditions of the lease.

Our Ground Lease Agreements

Four of our hotels are subject to ground lease agreements that cover either all or portions of land underlying the respective hotel property:

- The Salt Lake City Marriott Downtown is subject to two ground leases: one ground lease covers the land under the hotel and the other ground lease covers the portion of the hotel that extends into the Crossroads Plaza Mall. The term of the ground lease covering the land under the hotel runs through 2056, inclusive of our renewal options, and the term of the ground lease covering the extension runs through 2017.
- The golf course which is part of the Marriott Griffin Gate Resort is subject to a ground lease covering approximately 54 acres. The ground lease runs through 2033, inclusive of our renewal options. We have the right, beginning in 2013 and upon the expiration of any 5-year renewal term, to purchase the property covered by such ground lease for an amount ranging from $27,500 to $37,500 per acre, depending on which renewal term has expired. The ground lease also grants us the right to purchase the leased property upon a third party offer to purchase such property on the same terms and conditions as the third party offer.
- The Bethesda Marriott Suites hotel is subject to a ground lease that runs until 2087.
- The Courtyard Manhattan/Fifth Avenue is subject to a ground lease that runs until 2085, inclusive of one 49-year renewal option.

These ground leases generally require us to make rental payments and payments for all, or in the case of the ground leases covering the Salt Lake City Marriott Downtown extension and a portion of the Griffin Marriott Griffin Gate Resort golf course, our tenant’s share of, charges, costs, expenses, assessments and liabilities, including real property taxes and utilities. Furthermore, these ground leases generally require us to obtain and maintain insurance covering the subject property.

Subject to certain limitations, an assignment of the ground leases covering the Courtyard Manhattan/Fifth Avenue and a portion of the Marriott Griffin Gate Resort golf course do not require the consent of the ground lessor. With respect to the ground leases covering the Salt Lake City Marriott Downtown hotel and extension and Bethesda Marriott Suites, any proposed assignment of our leasehold interest as ground lessee under the ground lease requires the consent of the applicable ground lessor. As a result, we may not be able to sell, assign, transfer or convey our ground lessee’s interest in any such property in the future absent the consent of the ground lessor, even if such transaction may be in the best interests of our stockholders.

MANAGEMENT

Our Directors and Senior Executive Officers

Our board of directors consists of six directors, four of whom are independent directors in accordance with the listing standards established by the New York Stock Exchange. Our directors serve for one-year terms and until their successors are duly elected and qualified. There is no cumulative voting in the election of directors. Consequently, at each annual meeting the successors to each of our six directors will be elected by a plurality of the votes cast at that meeting. Each of our officers has served as such since our inception in May 2004, except for Sean M. Mahoney, who has served as an officer since August 2004. Each of our directors has served as such since completion of our July 2004 private placement, except for Messrs. McCarten and Williams, who have served as directors since May 2004 and June 2004, respectively. Certain information regarding our directors and senior executive officers is set forth below.

Name	Age	Position
William W. McCarten	56	Chairman of the Board, Chief Executive Officer and Director
John L. Williams	53	President, Chief Operating Officer and Director
Daniel J. Altobello*(1)(2)(3)	64	Director
W. Robert Grafton*(1)(2)(4)	63	Director
Gilbert T. Ray*(2)(3)	60	Director
Maureen L. McAvey*(1)(3)	59	Director
Mark W. Brugger	35	Executive Vice President, Chief Financial Officer and Treasurer
Michael D. Schecter	40	General Counsel and Secretary
Sean M. Mahoney	33	Chief Accounting Officer and Corporate Controller

* Independent Director
(1) Member of our Audit Committee.
(2) Member of our Compensation Committee.
(3) Member of our Nominating and Corporate Governance Committee.
(4) Mr. Grafton serves as our Lead Director.

The following is a summary of certain biographical information concerning our directors and our senior executive officers.

William W. McCarten is our Chairman of the Board, Chief Executive Officer and a member of our board of directors. Mr. McCarten worked for the Marriott Corporation, or Marriott International, Inc., and its related entities for over twenty-five years and retired from Marriott in January 2004. From 2001 to 2003, Mr. McCarten served as President of the Marriott Services Group within Marriott International, Inc. From 1995 to 2000, Mr. McCarten served as the President and Chief Executive Officer of HMSHost Corporation, formerly Host Marriott Services Corporation, a publicly held developer and operator of restaurant and retail concessions in travel and entertainment venues listed on the New York Stock Exchange. In addition, Mr. McCarten served as non-executive Chairman of HMSHost Corporation from 2000 to 2001. As Chief Executive Officer of HMSHost Corporation, Mr. McCarten oversaw the spin-off of that company from Host Marriott Corporation through its merger with Autogrill, S.P.A. Several weeks before the announcement of the spin-off in 1995, the common stock of HMSHost Corporation traded at $6.25 per share and HMSHost Corporation was subsequently purchased by Autogrill, S.P.A. in 1999 for $15.75 per share (a 252% return). From 1993 to 1995, Mr. McCarten was Executive Vice President and Operating Group President of Host Marriott Corporation. Mr. McCarten was President—Host and Travel Plazas for the Marriott Corporation from 1992 to 1993 and served as Executive Vice President—Host and Travel Plazas from 1991 to 1992. From 1986 to 1991, Mr. McCarten was Senior Vice President, Finance and Corporate Controller of Marriott Corporation. From 1979 to 1986, Mr. McCarten served in various executive positions at Marriott. Prior to joining Marriott, Mr. McCarten was an accountant with Arthur Andersen & Co. from 1970 to 1979. Mr. McCarten received his B.S. in Accounting from the McIntire School of Commerce at the University of Virginia in 1970, and he served on the Advisory Board of the McIntire School from 1981 to 1996.

John L. Williams serves as our President and Chief Operating Officer and is a member of our board of directors. Mr. Williams worked for the Marriott Corporation, or Marriott International, Inc., and its related entities for over twenty-five years. Mr. Williams most recently served as Executive Vice President of North American Hotel Development for Marriott International. From 1993 to 2004, Mr. Williams served as Senior and Executive Vice President of Development. From 1991 to 1992, Mr. Williams, while on a leave of absence from Marriott, served as the Chief Acquisition Executive for Lodging Opportunities, the initial lodging fund sponsored by the Thayer organization. From 1982 to 1990, Mr. Williams was Vice President of Hotel Development, where he was responsible for the development of Marriott hotels in the western United States (1982-1985) and the northeastern United States (1984-1990). Mr. Williams was a Director of Feasibility from 1980 to 1982. Prior to joining the Marriott Corporation in 1980, Mr. Williams was a senior consultant with Laventhal and Horwath. Mr. Williams received a BS/BA from Denver University with a major in Hotel and Restaurant Management and B.A. in American Studies from Denver University in 1973. In addition, Mr. Williams performed graduate coursework at the University of Missouri at Kansas City with a concentration in finance.

Daniel J. Altobello is a member of our board of directors. Mr. Altobello has been Chairman of Altobello Family LP since 1991. Mr. Altobello also served as Chairman of the Board of Directors of Onex Food Services, Inc., the parent corporation of Caterair International, Inc. and LSG/SKY Chefs from 1995 to 2001. From 1989 to 1995, Mr. Altobello was the Chairman, Chief Executive Officer and President of Caterair International Corporation. He currently serves on the board of directors of JER Investors Trust, Inc., MESA Air Group, World Airways, Inc. and Friedman, Billings, Ramsey Group, Inc., the parent of Friedman, Billings, Ramsey & Co., Inc. (which is serving as the lead managing underwriter in this offering). In addition, Mr. Altobello serves on the Advisory Board of Thayer Capital Partners and on the boards of two non-reporting companies, Associated Asphalt and Mercury Air Group.

W. Robert Grafton is a member of our board of directors and serves as our Lead Director. Mr. Grafton is a certified public accountant. He retired from Andersen Worldwide S.C. in 2000. Andersen Worldwide provided global professional auditing and consulting services through its two service entities, Arthur Andersen and Andersen Consulting. Mr. Grafton joined Arthur Andersen in 1963 and was elected a member of the Board of Partners of Andersen Worldwide in 1991. Mr. Grafton was elected Chairman of the Board of Partners in 1994 and served as Managing Partner—Chief Executive from 1997 through 2000. Mr. Grafton serves on the board of directors of Carmax Inc., a publicly traded company listed on the New York Stock Exchange, where he also serves as Chairman of the Audit Committee.

Maureen L. McAvey is a member of our board of directors. Ms. McAvey is Senior Resident Fellow and ULI/Klingbeil Family Chair for Urban Development at the Urban Land Institute ("ULI") in Washington, DC. ULI is a premier research and education organization within the real estate and land use industry. Ms. McAvey was a member of the board of trustees of ULI from 1995 to 2001. Prior to joining ULI, Ms. McAvey was Director, Business Development, for Federal Realty Investment Trust, an owner and manager of retail developments and mixed-use developments and a publicly traded company listed on the New York Stock Exchange. Ms. McAvey also has served as the Director of Development for the City of St. Louis, a cabinet level position in the Mayor's office and she was Executive Director of the St. Louis Development Corporation. Prior to working for the city of St. Louis, Ms. McAvey led the real estate consulting practices in Boston for Deloitte & Touche and Coopers & Lybrand. Ms. McAvey directed the west coast operations of Carley Capital Group, a national development firm and also has experience as a private developer. Ms. McAvey holds two master's degrees, one from the University of Minnesota and one from the Kennedy School of Government, Harvard University.

Gilbert T. Ray is a member of our board of directors. Mr. Ray was a partner in the law firm of O'Melveny & Myers LLP until his retirement in 2000. He practiced corporate law for almost three decades, and has extensive experience with corporate and tax exempt transactions, as well as international finance. Mr. Ray is a member of the board of directors of Advance Auto Parts, Inc., Watson Wyatt & Company Holdings and IHOP Corp., each a publicly traded company listed on the New York Stock Exchange. In addition, Mr. Ray is a member of the board of directors of Automobile Club of Southern California and Sierra Monolithics, Inc. Mr. Ray is also a trustee of SunAmerica Series Trust, Seasons Series Fund, The John Randolph Haynes and Dora Haynes Foundation, and St. John's Health Center Foundation.

Mark W. Brugger serves as our Executive Vice President and Chief Financial Officer. Previously, Mr. Brugger served as Vice President—Project Finance for Marriott International, Inc., from 2000 to 2004. From 2001 to 2004, Mr. Brugger also served as Chief Executive Officer of Synthetic Fuel Enterprises, a wholly-owned subsidiary of Marriott International, Inc. with annual revenues in excess of $300 million. From 1997 to 2000, Mr. Brugger served as Vice President—Investment Sales of Transwestern Commercial Services, formerly the Carey Winston Company. From 1995 to 1997, Mr. Brugger was the Land Development Director for Coscan Washington, Inc. Mr. Brugger received a Juris Doctorate from American University School of Law in 1995 and a B.A. from the University of Maryland at College Park in 1992.

Michael D. Schecter serves as our General Counsel. Previously, Mr. Schecter served as Senior Counsel of Marriott International, Inc., from 1998 to 2004. From 1991 to 1998, Mr. Schecter was an associate at Sullivan & Cromwell in their Washington, D.C. and Melbourne, Australia offices. From 1990 to 1991, Mr. Schecter served as a law clerk to the Honorable Frank M. Johnson, Jr. of the United States Court of Appeals for the Eleventh Circuit. Mr. Schecter received a Juris Doctorate from Cornell Law School in 1990 and a B.A. from Bates College in 1986.

Sean M. Mahoney serves as our Chief Accounting Officer and Corporate Controller. Previously, Mr. Mahoney served as a senior manager with Ernst & Young LLP in McLean Virginia. During 2002 and 2003 Mr. Mahoney served as a Director in the Dublin, Ireland audit practice of KPMG. From 1993 to 2001, Mr. Mahoney worked in the audit practice of Arthur Andersen LLP. Mr. Mahoney is a member of the American Institute of Certified Public Accountants and is a Virginia C.P.A. Mr. Mahoney received a B.S. from Syracuse University in 1993.

Corporate Governance Profile

We believe that we have organized our corporate structure and governance to align our interests with those of our stockholders. For example:

- our board of directors consists of six directors, four of whom are "independent directors" with independence being determined in accordance with the listing standards established by the New York Stock Exchange, and our board of directors will make an affirmative determination of the independence of each of our directors on an annual basis;
- a majority of our independent directors designate a Lead Director, whose responsibilities include:
  - assisting the board in complying with our corporate governance guidelines;
  - coordinating the agenda and moderating sessions of our board's independent directors; and
  - acting as chief liaison between the independent directors and our president and chief operating officer;
- our directors are re-elected annually by a plurality of our stockholders;
- we have adopted a Code of Business Conduct and Ethics, which addresses, among other things, corporate opportunity and conflicts of interest issues relevant to our directors, officers and employees;
- we do not have a stockholder rights plan;
- we have opted out of the Maryland business combination and control share acquisition statutes; and
- we have adopted corporate governance guidelines, which among other things, specify that our directors should develop a significant ownership stake in our company over time in order to align their interests with those of our stockholders.

Board of Directors and Committees

Our business and affairs are managed under the direction of our board of directors. Currently our board of directors consists of six directors, with two management directors and four "independent" directors with independence being determined in accordance with the listing standards established by the New York Stock Exchange.

Our board of directors has established an Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee and has adopted written charters for each committee.

Audit Committee

Our Audit Committee is comprised of three independent directors, Daniel J. Altobello, W. Robert Grafton and Maureen L. McAvey. Mr. Grafton serves as the chairperson and the audit committee financial expert, as that term is defined by the SEC, of the Audit Committee. Our Audit Committee, pursuant to its written charter, assists our board of directors in its oversight of (i) our accounting and financial reporting processes; (ii) the integrity and audits of our financial statements; (iii) our compliance with legal and regulatory requirements; (iv) the qualifications, independence and performance of our independent auditors; and (v) the performance of our internal audit function. The Audit Committee, among other things, also:

- is responsible for the appointment, retention and termination of our independent auditors and determines the compensation of our independent auditors;
- annually evaluates the independent auditors' qualifications, performance and independence;
- has sole authority to approve in advance all audit, internal control-related and non-audit services by our independent auditors, the scope and terms thereof, and the fees therefor;
- sets policies with respect to the potential hiring of current or former employees of the independent auditor;
- meets at least quarterly with our senior executive officers, internal auditors and our independent auditors in separate executive sessions;
- annually reviews and assesses the adequacy of the Audit Committee charter and recommends to our board of directors any amendments or modifications to the Audit Committee charter that the Audit Committee deems appropriate; and
- annually evaluates the performance of the Audit Committee and reports the results of such an evaluation to our board of directors.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is comprised of three independent directors, Daniel J. Altobello, Maureen L. McAvey and Gilbert T. Ray. Mr. Ray serves as the chairperson of our Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee, pursuant to its written charter, is responsible for, among other things:

- identifying and recommending qualified individuals to become members of our board of directors;
- recommending to our board of directors criteria for membership on our board of directors and committee membership, including any specific minimum qualifications;
- recommending to our board of directors the directors for appointment to committees of our board of directors;
- developing and recommending to our board of directors a set of corporate governance guidelines and policies and a code of ethics, and periodically reviewing and recommending any changes to such guidelines and code;

- overseeing the annual performance evaluation of our board of directors;
- establishing policies for the identification and consideration of director candidates recommended by stockholders or securityholders;
- reviewing and assessing the Nominating Committee Charter and submitting proposed changes to our board of directors; and
- performing an annual performance evaluation of the Nominating Committee and reporting the results to our board of directors.

Compensation Committee

Our Compensation Committee is comprised of three independent directors, Daniel J. Altobello, W. Robert Grafton and Gilbert T. Ray. Mr. Altobello serves as the chairperson of our Compensation Committee. The Compensation Committee, pursuant to its written charter, among other things:

- reviews and approves or makes recommendations to our board of directors with respect to the compensation for our executive officers and non-employee directors;
- reviews and approves or makes recommendations to the board of directors with respect to our incentive-based and equity-based plans; and
- reviews and assesses the adequacy of the Compensation Committee charter and submits proposed changes to our board of directors;

The Compensation Committee also reviews and approves corporate goals and objectives relevant to chief executive officer compensation, evaluates the chief executive officer’s performance in light of those goals and objectives, and determines and approves the chief executive officer’s compensation levels based on its evaluation. Our Compensation Committee has the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of chief executive officer or other executive officer compensation.

Compensation Committee Interlocks and Insider Participation

There are no Compensation Committee interlocks and none of our employees participates on the Compensation Committee.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, or our Code of Ethics, relating to the conduct of our business by our employees, officers and directors. Day-to-day responsibility for administering and interpreting our Code of Ethics has been delegated by our board of directors to Mr. Schecter, the compliance officer and our general counsel. Our Code of Ethics generally provides, among other things, that our directors, officers and employees must:

- not engage in any unlawful activity in conducting our business;
- protect our assets that are entrusted to them and take steps to ensure that our assets are used only for legitimate business purposes;
- not divert corporate opportunities that are discovered through the use of our property or information to himself or herself unless that opportunity has first been presented to, and rejected by, us;
- not use our property or information for his or her improper personal gain;
- not compete with us;
- not disclose or distribute our confidential information, except when such disclosure is authorized by us or required by law; and
- deal ethically and lawfully with our customers, suppliers, competitors and employees;

Our Code of Ethics also contains compliance procedures, allows for the anonymous reporting of a suspected violation of our Code of Ethics and specifically forbids retaliation against any officer or employee who reports suspected misconduct in good faith. The provisions of our Code of Ethics may only be waived or amended by our board of directors or, if permitted, a committee of our board of directors. Such waivers of amendments must be promptly disclosed to our stockholders.

Conflicts of Interest

Our Code of Ethics also contains a conflicts of interest policy to reduce potential conflicts of interest. Our conflicts of interest policy provides that any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest should be reported promptly to the compliance officer, who must then notify our board of directors or a committee of the board of directors. Actual or potential conflicts of interest involving a director, officer or the compliance officer should be disclosed directly to our chairman of the board of directors and the chairperson of our Nominating and Corporate Governance Committee. A "conflict of interest" occurs when a director's, officer's or employee's personal interest interferes with our interests. In general, this means that our directors, officers and employees must avoid situations that present a potential or actual conflict between their personal interests and our interests. However, we cannot assure you that this policy will be successful in eliminating the influence of these potential conflicts.

Maryland law provides that a contract or other transaction between a corporation and any of the corporation's directors or any other entity in which that director is also a director or has a material financial interest is not void or voidable solely on the grounds of the common directorship or interest, the fact that the director was present at the meeting at which the contract or transaction is approved or the fact that the director's vote was counted in favor of the contract or transaction, if:

- the fact of the common directorship or interest is disclosed to the board or a committee of the board, and the board or that committee authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even if the disinterested directors constitute less than a quorum;
- the fact of the common directorship or interest is disclosed to stockholders entitled to vote on the contract or transaction, and the contract or transaction is approved by a majority of the votes cast by the stockholders entitled to vote on the matter, other than votes of stock owned of record or beneficially by the interested director, corporation, firm or other entity; or
- the contract or transaction is fair and reasonable to the corporation.

Vacancies on our Board of Directors

Our charter provides that, when we have three independent directors and our common stock is registered under the Exchange Act, we elect to be subject to certain provisions of the MGCL regarding the filling of vacancies on the board of directors. Accordingly, at such time, any and all vacancies on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is elected and qualified. Any director may resign at any time and may be removed with or without cause by our stockholders upon the affirmative vote of at least two-thirds of all the votes entitled to be cast for the election of directors.

Compensation of Directors

As compensation for serving on our board of directors, each of our non-employee directors receives an annual fee of $20,000 and an additional fee of $1,500 for each board of directors meeting or committee meeting attended ($750 for telephonic meetings). Committee chairpersons receive an additional $5,000 with the Audit Committee chairperson receiving an additional $15,000 per year. Our Lead Director receives an additional $10,000 per year. In addition, we reimburse our directors for their reasonable out-of-pocket expenses incurred in attending board of directors and committee meetings. Directors who are also employees are not separately compensated for services as a director other than through our equity incentive plan. Each of our non-employee directors received a grant of 5,000 unrestricted shares of common stock in connection with the completion of our July 2004 private placement. In addition, each of our non-employee directors will receive 1,000 unrestricted shares of common stock on the date of the meeting of the board of directors immediately following each annual meeting of our stockholders.

Executive Compensation

The following table sets forth the compensation paid or earned by our chief executive officer and our other executive officers for 2004:

	Annual Compensation		Long-Term Compensation		
Name and Position	**Salary(1)**	**Bonus(1)**	**Restricted Stock Awards(2)**	**Securities Underlying Options**	**All Other Compensation**
William W. McCarten, Chairman of the Board, Chief Executive Officer and Director	$250,000	$293,750	$ 2,250,000	—	—
John L. Williams, President, Chief Operating Officer and Director	$200,000	$188,000	$ 2,100,000	—	—
Mark W. Brugger, Executive Vice President, Chief Financial Officer and Treasurer	$117,500	$ 82,838	$ 1,650,000	—	—
Michael D. Schecter, General Counsel and Secretary	$107,500	$ 80,625	$ 750,000	—	—
Sean M. Mahoney, Chief Accounting Officer and Corporate Controller	$ 58,333	$ 19,602	$ 150,000	—	30,000(3)

(1) The amounts for salary and bonus are for the partial year from our inception in May 2004 until December 31, 2004, except for the amounts for Mr. Mahoney, which are for the partial year from August 1, 2004 until December 31, 2004. The employment agreement for each of Messrs. McCarten, Williams, Brugger and Schecter, and the letter of employment for Mr. Mahoney, do not provide for a minimum or target bonus, and any bonus paid is at the sole discretion of our Compensation Committee. For a listing of the maximum amounts payable to each named executive officer pursuant to his employment agreement, or in the case of Mr. Mahoney, his letter of employment, with us, see "—Employment Agreements" below.

(2) Restricted stock awards vest in equal installments over a three-year period. Any dividends will be paid to the holders of restricted stock awards.

(3) This amount represents a bonus paid to Mr. Mahoney in connection with the commencement of his employment.

Section 162(m) of the Code disallows a tax deduction to public companies for compensation paid in excess of $1,000,000 for any fiscal year to the company's chief executive officer and the four other most highly compensated executive officers. To qualify for deductibility under Section 162(m), compensation in excess of the $1,000,000 annual maximum paid to these executive officers must be "performance-based" compensation, as determined under Section 162(m). For these purposes, compensation generally includes base salary, annual bonuses, stock option exercises, compensation attributable to restricted shares vesting and nonqualified benefits. While it is our intention to structure compensation so that it satisfies the "performance-based" compensation requirements under Section 162(m) to the fullest extent possible, if we become subject to the provisions of Section 162(m), our Compensation Committee will balance the costs and burdens involved in doing so against the value to us and our stockholders of the tax benefits to be obtained by us. Accordingly, we reserve the right, should Section 162(m) apply, to design compensation programs that recognize a full range of performance criteria important to our success, even where the compensation paid under such programs may not be deductible as a result of the application of Section 162(m).

Employment Agreements

We have entered into employment agreements with Messrs. McCarten, Williams, Brugger and Schecter, and Mr. Mahoney has executed a letter of employment, that provide for an annual salary of $500,000, $400,000, $235,000, $210,000 and $140,000, respectively, as well as customary incentive compensation and benefits. Upon the closing of our July 2004 private placement, each of Messrs. McCarten, Williams, Brugger and Schecter were granted a restricted stock award that vests in equal installments over a three-year period. In connection with his acceptance of employment with us in July 2004, Mr. Mahoney was also granted a restricted stock award that vests in equal installments over a three-year period. In addition, the employment agreements and Mr. Mahoney's letter of employment provide each executive officer with severance benefits if his employment ends under certain circumstances. We believe that the agreements and Mr. Mahoney's letter of employment will benefit us by helping to retain the executives and by allowing them to focus on their duties without the distraction of the concern for their personal situations in the event of a possible change in control of our company.

The agreements with Messrs. McCarten, Williams, Brugger and Schecter have an initial term of three years, with respect to Mr. McCarten, and two years, with respect to Messrs. Williams, Brugger and Schecter. Thereafter, the term of the agreements with Messrs. McCarten, Williams, Brugger and Schecter will be extended for an additional 12 months on the anniversary of the effective date of each agreement, unless either party gives six months' notice before such date that the term will not be extended. Mr. Mahoney is an at-will employee.

Each of Messrs. McCarten, Williams, Brugger and Schecter will be entitled to receive severance benefits under their agreements if we terminate such executive's employment without cause or such executive resigns with good reason or if there is a change in control of our company during the term of their agreements and, within 12 months after the change in control, we terminate such executive's employment without cause or such executive resigns with good reason, or if during the 90 day period commencing on the three-month anniversary of the date of the change in control, such executive resigns for any reason. Mr. Mahoney will be entitled to receive severance benefits under his letter of employment if there is a change in control of our company during his employment with us and, within 12 months after the change in control, we terminate Mr. Mahoney's employment without cause, or if during the 90 day period commencing on the six-month anniversary of the date of the change in control, Mr. Mahoney resigns for any reason. Under each of these scenarios, each of the executives is entitled to receive a lump sum payment equal to two times, with respect to Mr. McCarten, 1.5 times, with respect to Mr. Williams, and one time, with respect to Messrs. Brugger, Schecter and Mahoney, the sum of (x) their respective then current base salary and (y) the greater of (A) the average of the executive's bonuses with respect to the preceding three fiscal years (or the period of the executive's employment if shorter), (B) the executive's bonus with respect to the preceding fiscal year and (C) if termination of employment occurs during the first year of the executive's employment, the executive's annualized projected bonus for such year. In addition, each executive will be entitled to continued life, health and disability insurance coverage for himself, his spouse and dependents for two years, in the case of Mr. McCarten, eighteen months, in the case of Mr. Williams, and one year, in the case of Messrs. Brugger, Schecter and Mahoney. Any unvested portion of any stock option, restricted stock award and incentive award previously issued to the executive shall vest on the date of such termination. These severance benefits may not be deductible by us.

In the event that the severance benefits described above are paid in connection with a change in control of our company, each of Messrs. McCarten, Williams, Brugger and Schecter will be eligible to receive payments to compensate the executive for the additional taxes, if any, imposed on the executive under Section 4999 of the Code by reason of the receipt of excess parachute payments.

The employment agreements for each of Messrs. McCarten, Williams, Brugger and Schecter contain customary non-competition covenants that apply during the term and in most instances for 12 months, or six months in the event of a change in control of our company, after the expiration or termination of such executive's employment with our company.

Annual Incentive Bonus Policy

Our senior executive officers who are entitled to receive cash bonuses under their employment agreements will receive no more than 125%, with respect to Mr. McCarten, 100%, with respect to Mr. Williams, 75%, with respect to Messrs. Brugger and Schecter, and 35%, with respect to Mr. Mahoney, of their base salaries under the policy. Our compensation committee will re-evaluate the annual incentive bonus policy for our executive officers on an annual basis, subject to the maximum limitations previously described. The employment agreements for each executive do not provide for a minimum or target bonus, and any bonus paid is at the sole discretion of the Compensation Committee. In addition, our Compensation Committee may approve any additional bonus awards to any executive officer.

401(k) Plan

We maintain a retirement savings plan under section 401(k) of the Code to cover our eligible employees. The Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan.

Equity Incentive Plan

Our 2004 Stock Option and Incentive Plan was adopted by our board of directors and approved by our then sole stockholder in June 2004. We have established this plan for the purpose of attracting and retaining directors, officers and other key employees of the company. This equity plan permits us to make grants of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock awards, unrestricted stock awards, dividend equivalent rights and other share-based awards. We have reserved 1,107,500 shares of our common stock for the issuance of awards under the equity plan. This number is subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization. In addition, our equity plan provides that one year after the completion of our July 2004 private placement and without further action or approval of our stockholders, 5% of the total net increase in the number of outstanding shares of our common stock since the completion of our July 2004 private placement will be added to the number of shares reserved for issuance under the plan, up to a maximum limit of 2,000,000 shares of common stock that may be reserved for the issuance of awards under the plan. Generally, shares that are forfeited or canceled from awards under the equity plan also will be available for future awards. We have committed to issue   shares of restricted common stock concurrently with the closing of this offering.

The equity plan is administered by either a committee of at least two non-employee directors appointed by the board of directors, or by our full board of directors. The administrator of the equity plan has full power and authority to select the participants to whom awards will be granted, to make any combination of awards to participants, to accelerate the exercisability or vesting of any award and to determine the specific terms and conditions of each award, subject to the provisions of the equity plan. The administrator may generally delegate to our chief executive officer the authority to grant certain awards under the equity plan to our employees.

All full-time and part-time officers, employees, non-employee directors and other key persons are eligible to participate in the equity plan, subject to the discretion of the administrator. There are certain limits on the number of awards that may be granted under the equity plan. For example, no more than 500,000 shares of stock may be granted in the form of stock options or stock appreciation rights to any one individual during any one-calendar-year period.

The exercise price of stock options awarded under the equity plan may not be less than the fair market value of the common stock on the date of the option grant in most instances and the term of each option may not exceed fifteen years from the date of grant for non-qualified options and ten years from the date of grant for incentive options. The administrator will determine at what time or times each option may be exercised and, subject to the provisions of the equity plan, the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised.

To qualify as incentive options, stock options must meet additional federal tax requirements, including a $100,000 limit on the value of shares subject to incentive options that first become exercisable in any one calendar year, and a shorter term and higher minimum exercise price in the case of certain large shareholders.

Each non-employee director who is serving as a director of the company on the date of the meeting of the board of directors immediately following each annual meeting of stockholders will automatically be granted on such date 1,000 unrestricted shares of common stock. In addition, each of our non-employee directors received a grant of 5,000 unrestricted shares of common stock in connection with the completion of our July 2004 private placement. The administrator also may make discretionary grants of non-qualified options to non-employee directors.

In the event of a merger, sale or dissolution of the Company, or a similar "sale event," all stock options and stock appreciation rights granted under the equity plan will automatically become fully exercisable and all other awards granted under the equity plan will become fully vested and non-forfeitable. In addition, upon the effective time of any such sale event, the equity plan and all awards will terminate unless the parties to the transaction, in their discretion, provide for appropriate substitutions or adjustments of outstanding awards.

No awards may be granted under the equity plan after June 4, 2014. In addition, our board of directors may amend or discontinue the equity plan at any time and the administrator may amend or cancel any outstanding award for the purpose of satisfying changes in law or for any other lawful purpose. No such amendment may adversely affect the rights under any outstanding award without the holder's consent. Other than in the event of a necessary adjustment in connection with a change in the company's stock or a merger or similar transaction, the administrator may not "reprice" or otherwise reduce the exercise price of outstanding stock options. Further, amendments to the equity plan will be subject to approval by our stockholders if the amendment (i) increases the number of shares available for issuance under the equity plan; (ii) expands the types of awards available under, the eligibility to participate in, or the duration of, the plan; (iii) materially changes the method of determining fair market value for purposes of the equity plan; or (iv) requires stockholder approval under the applicable rules of the New York Stock Exchange or by the Code to ensure the tax qualification of incentive options.

Liability, Exculpation and Indemnification

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates such liability to the maximum extent permitted by the MGCL.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate our company to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former director or officer or (b) any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her serving in any of the foregoing capacities. Our bylaws obligate our company, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former director or officer who is made, or is threatened to be made, a party to the proceeding by reason of his service in that capacity or (b) any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his service in that capacity. Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of our company in any of the capacities described above and to our employees or agents and any employee or agent of our predecessor.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made, or threatened to be made, a party by reason of his service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Marriott

Investment Sourcing Relationship with Marriott. Marriott and our company have an investment sourcing relationship pursuant to which Marriott has agreed to provide us, subject to certain limitations, with a "first look" at hotel property acquisition and investment opportunities known to it. For a description of our investment sourcing relationship with Marriott, see "Our Business—Our Competitive Strengths—Marriott Investment Sourcing Relationship."

In connection with this investment sourcing relationship, Marriott assigned to us its interests as purchaser under the purchase and sale contract pursuant to which we acquired the Courtyard Manhattan/Midtown East hotel. The purchase price for the hotel was approximately $78.9 million. Marriott provided us $3.3 million in connection with the acquisition, including $2.5 million in key money and $800,000 as a contribution to the hotel's furniture, fixtures and equipment account. We also acquired, directly from Marriott, the Marriott Griffin Gate Resort for approximately $49.8 million and the Lodge at Sonoma Renaissance Resort & Spa for approximately $32.3 million. Marriott has provided us, or will provide us, with key money of approximately $6.5 million in the aggregate in connection with our acquisitions of the Courtyard Manhattan/Midtown East ($2.5 million), the Courtyard Manhattan/Fifth Avenue ($1.0 million) and the Torrance Marriott ($3.0 million). Marriott purchased directly from us 3,000,000 shares of our outstanding common stock in connection with our July 2004 private placement.

Marriott's only binding commitment with regard to this investment sourcing relationship is that, for a two-year period ending July 1, 2006, it has agreed not to enter into any written agreement or series of written agreements granting any third party the right to receive information from Marriott concerning opportunities to purchase full-service, urban select-service or urban extended-stay hotels in the United States, or in any region thereof, prior to such opportunities being presented to us. Marriott has specifically retained the right to enter into written agreements affecting less than 10% of the United States by population and also any non-written agreements with other potential capital sources. Our only binding commitment with regard to this relationship is that we have agreed, for a two-year period ending July 1, 2006, not to enter into a written agreement or series of written agreements granting any third party the right to receive information from us concerning potential opportunities to provide hotel management services for full-service, urban select-service or urban extended-stay hotels throughout the United States, or in any region thereof prior to such opportunity being presented to Marriott. We have specifically retained the right to enter into agreements affecting less than 10% of the United States and also any non-written agreements with other brand or hotel management companies. However, for any given investment, we are under no obligation to use Marriott as the hotel management company and we may invest in hotel properties that do not operate under one of Marriott's brands.

Management Agreements. In order to qualify as a REIT, we cannot operate our hotel properties or participate in the decisions affecting the daily operations of our hotels. Thus far, although we are free to enter into hotel management agreements with any third party, with respect to all the properties that we currently own, we have entered into management agreements with Marriott, and we intend that most management agreements that we enter into in the near future will be with Marriott, or one or more of its affiliates. See "Our Principal Agreements—Our Hotel Management Agreements" for information regarding our management agreements with Marriott.

Administrative Services Agreement and Sub-lease. On July 1, 2004, we entered into an administrative services agreement with Marriott International Administrative Services, Inc., or MIAS, an affiliate of Marriott, pursuant to which MIAS provides us with certain information technology and telephone and Internet systems as long as we lease our corporate offices from Marriott. The service fees we pay to Marriott are equal in amount to the fees that Marriott charges its internal and external customers for such services as of the effective date of the administrative services agreement. We lease approximately 4,000 square feet from Marriott at $43.50 per square foot, which amount is equal to the amount charged by Marriott to its internal departments as of the effective date of the lease.

Arrangements with our Senior Executive Officers and Certain Directors

Messrs. McCarten, Williams, Brugger and Schecter are all former officers and employees of Marriott and have many professional relationships with current senior executives at Marriott.

Messrs. McCarten and Williams may have ongoing conflicts between our interests and the interests of Marriott because each has a significant financial interest in Marriott as a percentage of his individual net worth. These interests include shares of Marriott's common stock, options to acquire shares of Marriott's common stock and an executive deferred compensation arrangement which is an unfunded obligation of Marriott. In the case of Mr. McCarten, his financial interest in Marriott represents a material percentage (but not a majority) of his individual net worth and, in the case of Mr. Williams, his financial interest in Marriott represents a majority of his individual net worth. In each case, these interests represent several millions of dollars and, depending upon the performance of Marriott relative to our performance and the amount of equity incentive compensation paid by us to Messrs. McCarten and Williams, their financial interest in Marriott may continue to be greater than their financial interest in us.

INVESTMENT POLICIES AND POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of our investment policies and our policies with respect to certain other activities, including financing matters and conflicts of interest. These policies may be amended or revised from time to time at the discretion of our board of directors, without a vote of our stockholders. Any change to any of these policies by our board, however, would be made only after a thorough review and analysis of that change, in light of then-existing business and other circumstances, and then only if, in the exercise of its business judgment, our board of directors believes that a change is in our and our stockholders' best interests. We cannot assure you that our investment objectives will be attained.

Investments in Real Estate or Interests in Real Estate

We intend to conduct our investment activities through our operating partnership and its subsidiaries. We seek to invest in assets primarily for current income generation. In general, our primary investment objectives are to:

- enhance stockholder value over time by generating strong risk-adjusted returns on invested capital;
- consistently pay attractive distributions to our stockholders; and
- achieve long-term appreciation in the value of our hotel property investments.

There are no limitations on the amount or percentage of our total assets that may be invested in any one hotel property. Additionally, no limits have been set on the concentration of investments in any one location or by brand, type of market or other limits.

Additional criteria with respect to our hotel property investments is described in "Our Business."

Investments in Mortgages, Structured Financings and Other Lending Policies

We have no current intention of investing in loans secured by properties or making loans to persons. However, we do not have a policy limiting our ability to invest in loans secured by properties or to make loans to other persons. In the future, we may acquire first mortgages on hotel properties and invest in other mortgage-related instruments such as subordinated or mezzanine loans to hotel owners and operators. In addition, we may invest in hotel properties and lease them back to their existing owners. We may also consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be received by us for the property sold. We may make loans to joint ventures in which we may participate in the future. However, we do not intend to engage in significant lending activities. Any such lending or financing activities would be subject to restrictions applicable to REITs.

Investments in Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Generally, we do not expect to engage in any significant investment activities with other entities, although we may consider joint venture investments with other investors. We may also invest in the securities of other issuers in connection with acquisitions of indirect interests in hotel properties (normally general or limited partnership units in special purpose partnerships owning properties). We may in the future acquire some, all or substantially all of the securities or assets of other REITs or similar entities where that investment would be consistent with our investment policies and the REIT qualification requirements. There are no limitations on the amount or percentage of our total assets that may be invested in any one issuer, other than those imposed by the gross income and asset tests that we must satisfy to qualify as a REIT. However, we do not anticipate investing in other issuers of securities for the purpose of exercising control or acquiring any investments primarily for sale in the ordinary course of business or holding any investments with a view to making short-term profits from their sale. In any event, we do not intend that our investments in securities will require us to register as an "investment company" under the Investment Company Act, and we intend to divest securities before any registration would be required.

We do not intend to engage in trading, underwriting, agency distribution or sales of securities of other issuers.

Dispositions

Generally, our board of directors will consider dispositions of properties, subject to REIT qualification rules and limitations set forth in our hotel management agreements, if our management determines that a sale of a property would be in our best interests based on the price being offered for the property, the operating performance of the property, the tax consequences of the sale and other factors and circumstances surrounding the proposed sale.

Financing Policies

We will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of hotel properties to be acquired with debt financing, the estimated market value of our hotel properties upon refinancing and the ability of particular hotel properties, and our company as a whole, to generate cash flow to cover expected debt service. We currently maintain a policy that limits our total debt level to no more than 60% of our aggregate property investment and repositioning costs. Our board of directors, however, may change or eliminate this debt limit, and/or the policy itself, at any time without the approval of our stockholders.

We currently are negotiating with a number of financial institutions to obtain a secured revolving line of credit. For a description of the anticipated secured revolving credit facility and its applicable terms, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

We may incur debt in the form of purchase money obligations to the sellers of properties, or in the form of publicly or privately placed debt instruments, financing from banks, institutional investors, or other lenders, any of which indebtedness may be unsecured or may be secured by mortgages or other interests in our properties. This indebtedness may be recourse, non-recourse or cross-collateralized and, if recourse, that recourse may include our general assets and, if non-recourse, may be limited to the particular property to which the indebtedness relates. In addition, we may invest in hotel properties subject to existing loans secured by mortgages or similar liens on the properties, or may refinance properties acquired on a leveraged basis. We may use the proceeds from any borrowings for working capital, to purchase additional interests in partnerships or joint ventures in which we participate, to refinance existing indebtedness or to finance investments. We may also incur indebtedness for other purposes when, in the opinion of our board of directors, it is advisable to do so. In addition, we may need to borrow funds to meet the taxable income distribution requirements under the Code if we do not have sufficient cash available to meet those distribution requirements.

Equity Capital Policies

Subject to applicable law, our board of directors has the authority, without further stockholder approval, to issue additional shares of authorized common stock and preferred stock or otherwise raise capital, including through the issuance of senior securities, in any manner and on the terms and for the consideration it deems appropriate, including in exchange for property. Existing stockholders will have no preemptive right to additional shares issued in any offering, and any offering might cause a dilution of investment. We may in the future issue common stock in connection with acquisitions. We also may issue limited partnership units in our operating partnership or equity interests in other subsidiaries in connection with acquisitions of hotel properties.

Our board of directors may authorize the issuance of preferred stock with terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control in us that might involve a premium price for holders of our common stock or otherwise might be in their best interests. Additionally, any shares of preferred stock could have dividend, voting, liquidation and other rights and preferences that are senior to those of our common stock.

We may, under certain circumstances, purchase common stock in the open market or in private transactions with our stockholders, if those purchases are approved by our board of directors. Our board of directors has no present intention of causing us to repurchase any shares, and any action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualifying as a REIT.

In the future, we may institute a dividend reinvestment plan, which would allow our stockholders to acquire additional shares of our common stock by automatically reinvesting their cash dividends. Shares would be acquired pursuant to the plan at a price equal to the then prevailing market price, without payment of brokerage commissions or service charges. Stockholders who do not participate in the plan will continue to receive cash dividends as declared and paid.

FORMATION OF OUR COMPANY

We commenced operations in July 2004 and thus have a limited operating history. We conduct our business through a traditional UPREIT structure. An UPREIT is typically a REIT whose real properties are held by, and whose operations are conducted through, a subsidiary partnership, which in our case is DiamondRock Hospitality Limited Partnership. The following is a summary of our formation transactions:

- We were formed as a Maryland corporation in May 2004 and our operating partnership, DiamondRock Hospitality Limited Partnership, was formed in May 2004. We are the sole general partner and our wholly-owned subsidiary, DiamondRock Hospitality, LLC, is the sole initial limited partner of our operating partnership. We currently own all of the limited partnership interests in our operating partnership either directly or through DiamondRock Hospitality, LLC.
- Bloodstone TRS, Inc., a Delaware corporation which we formed in September 2004, operates as our taxable REIT subsidiary. A taxable REIT subsidiary is a corporate subsidiary of a REIT that elects with the REIT to be treated as a taxable REIT subsidiary of the REIT and pays that federal income tax at regular corporate rates on its earnings and the earnings of our TRS lessees. We may form additional taxable REIT subsidiaries, or TRSs, in the future.
- In July 2004, we completed a private placement of 21,000,000 shares of our common stock at an offering price of $10.00 per share, including 150,000 shares purchased by our senior executive officers and directors and 3,000,000 shares purchased by Marriott Hotel Services, Inc., a wholly-owned subsidiary of Marriott. Friedman, Billings, Ramsey & Co., Inc., which is serving as the lead managing underwriter in this offering, acted as the initial purchaser and sole placement agent. The total net proceeds to us, after deducting fees and expenses of this offering, were approximately $196.3 million.

In order to qualify as a REIT, our income must come primarily from “rents from real property,” mortgage interest and real estate gains. Qualifying “rents from real property” include rents from interests in real property, certain charges for services customarily rendered in connection with the rental of real property, and a limited amount of rent attributable to personal property which is leased under, or in connection with, a lease of real property. However, operating revenues from a hotel property are not qualifying “rents from real property.” Therefore, we generally must lease our hotel properties to another party from whom we will derive rent income that will qualify as “rents from real property” under the REIT rules. Accordingly, we generally will lease our hotels to wholly-owned subsidiaries of Bloodstone TRS, Inc., our existing taxable REIT subsidiary. We refer to these subsidiaries as TRS lessees. Each TRS lessee will pay rent to us that generally should qualify as “rents from real property,” provided that an “eligible independent contractor” operates and manages each hotel property on behalf of the TRS lessee. We expect that each of our hotel properties will be managed by an “eligible independent contractor.”

INSTITUTIONAL TRADING OF OUR COMMON STOCK

There is no public trading market for our common stock. Shares of common stock issued to qualified institutional buyers in connection with our July 2004 private placement are eligible for trading in the Portal (SM) Market, a subsidiary of the NASDAQ Stock Market, Inc., which permits secondary sales of eligible unregistered securities to qualified institutional buyers in accordance with Rule 144A under the Securities Act. As of February 18, 2005, the last sale of our common stock on the Portal (SM) Market occurred on February 17, 2005 at a price of $10.75 per share. The following table shows the high and low sales prices for our common stock for each quarterly period since our common stock became eligible for trading in the Portal (SM) Market:

	High Sales Price	Low Sales Price
July 7, 2004 to September 30, 2004	$ 10.00	$ 10.00
October 1, 2004 to December 31, 2004	$ 10.20	$ 10.00
January 1, 2005 to February 17, 2005	$ 10.85	$ 10.20

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of shares of our common stock before and immediately following the completion of this offering for (i) each person who, to our knowledge, is the beneficial owner of 5% or more of the outstanding common stock, (ii) directors, proposed directors and the executive officers, and (iii) directors, proposed directors and executive officers as a group. To our knowledge, each person named in the table has sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table. The number of shares shown represents the number of shares of common stock the person "beneficially owns," as determined by the rules of the SEC. The SEC has defined "beneficial" ownership of a security to mean the possession, directly or indirectly, of voting power and/or investment power. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (a) the exercise of any option, warrant or right, (b) the conversion of a security, (c) the power to revoke a trust, discretionary account or similar arrangement, or (d) the automatic termination of a trust, discretionary account or similar arrangement. The address of each named person is 10400 Fernwood Road, Bethesda, MD 20817.

	Beneficial Ownership Before Offering		Beneficial Ownership After Offering	
Name of Beneficial Owner	**Number**	**Percent(1)**	**Number**	**Percent**
William W. McCarten	325,100(2)	1.5%		
Daniel J. Altobello	10,000	*		
W. Robert Grafton	8,000	*		
Maureen L. McAvey	5,000	*		
Gilbert T. Ray	5,000	*		
John L. Williams	240,000(3)	1.1		
Mark W. Brugger	175,000(4)	*		
Michael D. Schecter	85,000(5)	*		
Sean M. Mahoney	15,000(6)	*		
All directors and executive officers as a group (9 persons)	868,100	4.0		
Marriott Hotel Services, Inc.	3,000,000(7)	13.8		

* Represents less than 1% of the number of shares of common stock outstanding.

(1) Calculated using 21,720,600 shares of common stock outstanding as of December 31, 2004. Additionally, in accordance with Rule 13d-3(d)(i) of the Exchange Act, in calculating the percentage of each holder, we treated as outstanding the number of shares of common stock issuable upon the exercise of the holder's options to purchase common stock, if any, that are exercisable within 60 days of December 31, 2004, however we did not assume the exercise of any other holders' option.

(2) Includes 225,000 shares of restricted stock granted to Mr. McCarten under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse at the rate of one-third of the number of restricted shares per year commencing on July 7, 2005. Includes 100,000 shares of our common stock that Mr. McCarten purchased from us directly in a private placement on July 7, 2004. Includes 100 shares of our common stock that Mr. McCarten purchased from us directly in connection with out formation in May 2004.

(3) Includes 210,000 shares of restricted stock granted to Mr. Williams under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse at the rate of one-third of the number of restricted shares per year commencing on July 7, 2005. Includes 30,000 shares of our common stock that Mr. Williams purchased from us directly in a private placement on July 7, 2004.

(4) Includes 165,000 shares of restricted stock granted to Mr. Brugger under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse at the rate of one-third of the number of restricted shares per year commencing on July 7, 2005. Includes 10,000 shares of our common stock that Mr. Brugger purchased from us directly in a private placement on July 7, 2004.

(5) Includes 75,000 shares of restricted stock granted to Mr. Schecter under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse at the rate of one-third of the number of restricted shares per year commencing on July 7, 2005. Includes 10,000 shares of our common stock that Mr. Schecter purchased from us directly in a private placement on July 7, 2004.

(6) Includes 15,000 shares of restricted stock granted to Mr. Mahoney under our equity incentive plan. Subject to continued service with us, the restrictions on the restricted stock will lapse at the rate of one-third of the number of restricted shares per year commencing on August 1, 2005.

(7) Represents 3,000,000 shares of our outstanding common stock that Marriott purchased from us directly in a private placement on July 7, 2004.

SELLING STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock by the selling stockholders as of , 2005 and the number of shares that may be offered for resale by this prospectus. The percentages of all shares of common stock beneficially owned before and after resale of the shares of common stock by the selling stockholders is based on shares of common stock outstanding as of , 2005. The selling stockholders may offer all, a portion or none of the shares owned by them and covered by this prospectus. In preparing the table below, we have assumed that the selling stockholders will sell all of the common stock covered by this prospectus. Shares of common stock may also be sold by donees, pledgees or other transferees or successors in interest of the selling stockholders.

Except as described below, to our knowledge, none of the selling stockholders has had a material relationship with us or any of our affiliates within the past three years.

				Beneficial Ownership After Resale of Shares	
Selling Stockholders	Number of Shares Beneficially Owned	Maximum Number of Shares Being Offered	Percentage of All Shares Beneficially Owned Before Resale(1)	Number of Shares	Percentage(2)

* Represents less than 1%.

(1) Assumes shares of common stock outstanding as of , 2005.

(2) Assumes shares of common stock outstanding as of , 2005, including shares of common stock issued in this offering.

REGISTRATION RIGHTS AGREEMENT

At the time of our July 2004 private placement, we entered into a registration rights agreement among us, our operating partnership, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock. The summary of the registration rights agreement is subject to and qualified in its entirety by reference to the registration rights agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

IPO Registration. Under the terms of the registration rights agreement, if we propose to file a registration statement providing for the initial public offering of shares of our common stock, the holders of our common stock purchased in our July 2004 private placement have a right to include their shares in that registration statement and participate in the public offering, subject to:

- compliance with the registration rights agreement;
- cutback rights on the part of the underwriters and the company; and
- other conditions and limitations that may be imposed by the underwriters.

We have filed a registration statement relating to our initial public offering and have registered for sale by the selling stockholders shares of our common stock purchased in our July 2004 private placement.

Mandatory Shelf Registration. Pursuant to the registration rights agreement, we also agreed for the benefit of the holders of shares of common stock sold in our July 2004 private placement that are not being sold in this offering to file with the SEC by April 7, 2005 a resale shelf registration statement registering all of the shares of common stock purchased or placed by Friedman, Billings, Ramsey & Co., Inc. in our July 2004 private placement, and all of the 3,000,000 shares of common stock purchased by Marriott. Pursuant to the registration rights agreement, we are required to pay most expenses in connection with the registration of the shares of common stock purchased in our July 2004 private placement. Each selling stockholder participating in this offering will bear a proportionate share based on the total number of shares of common stock sold in this offering of all discounts and commissions payable to the underwriters, all transfer taxes and transfer fees and any other expense of the selling stockholders not allocated to us in the registration rights agreement.

In addition, we agreed to use our commercially reasonably best efforts to cause the resale registration statement to become effective under the Securities Act as promptly as practicable, but not later than six months after the filing (subject to certain extensions), and to maintain the resale registration statement continuously effective under the Securities Act until the first to occur of:

- such time as all of the shares of common stock covered by the resale registration statement have been sold pursuant to the registration statement or pursuant to Rule 144 (or any successor or analogous rule) under the Securities Act;
- such time as, in the opinion of counsel, all of the common stock not held by our affiliates, and covered by the resale registration statement, are eligible for sale pursuant to Rule 144(k) (or any successor or analogous rule) under the Securities Act; or
- the second anniversary of the initial effective date of the resale registration statement.

Notwithstanding the foregoing, we will be permitted, under limited circumstances, to suspend the use, from time to time, of this prospectus, and therefore suspend sales under the registration statement, for certain periods, referred to as "blackout periods," if a majority of the independent directors of our board, in good faith, determines that we are in compliance with the terms of the registration rights agreement, that it is in our best interest to suspend the use of the registration statement, and:

- that the offer or sale of any registrable shares would materially impede, delay or interfere with any material proposed acquisition, merger, tender offer, business combination, corporate reorganization, consolidation, debt or equity financing or similar material transaction;

- after the advice of counsel, sale of the registrable shares would require disclosure of non-public material information not otherwise required to be disclosed under applicable law; and
- such disclosure would have a material adverse effect on us or on our ability to consummate the applicable transaction.

In addition, we may effect a blackout if a majority of independent directors of our board, in good faith, determines that we are in compliance with the terms of the registration rights agreement, that it is in our best interest to suspend the use of the registration statement, and, after advice of counsel, that it is required by law, rule or regulation to supplement the registration statement or file a post-effective amendment for the purposes of:

- including in the registration statement any prospectus required under Section 10(a)(3) of the Securities Act;
- reflecting any facts or events arising after the effective date of the registration statement that represents a fundamental change in information set forth therein; or
- including any material information with respect to the plan of distribution or change to the plan of distribution not set forth therein.

The cumulative blackout periods in any 12-month period commencing on the closing of the offering may not exceed an aggregate of 90 days and furthermore may not exceed 30 days in any 90-day period. We may not institute a blackout period more than six times in any 24-month period. Upon the occurrence of any blackout period, we are to use our commercially reasonable efforts to take all action necessary to promptly permit resumed use of the registration statement.

If we default on either our obligation to file or maintain the effectiveness of the resale registration statement within the time periods described above or certain other obligations, each of our executive officers will forfeit a pro rata portion of the bonuses payable to him based on the period of time that we have not complied with those obligations and each of our executive officers will forfeit 2% of his shares of restricted stock granted under our equity incentive plan for each day we are not in compliance with our obligations.

Each holder of common stock sold in our July 2004 private placement has agreed that, upon receipt of notice of the occurrence of any event which makes a statement in the prospectus which is part of the resale registration statement untrue in any material respect or which required the making of any changes in such prospectus in order to make the statements therein not misleading, or of certain other events specified in the registration rights agreement, such holder will suspend the sale of our common stock pursuant to such prospectus until we have amended or supplemented such prospectus to correct such misstatement or omission and have furnished copies of such amended or supplemented prospectus to such holder or we have given notice that the sale of the common stock may be resumed.

In connection with the registration of the shares sold in our July 2004 private placement, we agreed to use our commercially reasonable efforts to list our common stock on the NYSE or the NASDAQ National Market and to maintain the listing thereafter.

LOCK-UP AGREEMENTS

Subject to certain exceptions, our directors and officers, except for Mr. Mahoney, and Marriott have agreed to be bound by lock-up agreements that prohibit these holders from selling, pledging, transferring or otherwise disposing of any of our common stock or securities convertible into our common stock for 180 days after the effective date of the resale shelf registration statement that we are required to file pursuant to the registration rights agreement. Mr. Mahoney will enter into a lock-up agreement in connection with this offering. In accordance with the registration rights agreement, holders of shares of common stock sold in our July 2004 private placement have agreed not to dispose of any of our common stock or securities convertible into our common stock that they have acquired prior to the date of this offering for 60 days following the offering, except in specified circumstances.

DESCRIPTION OF CAPITAL STOCK AND CERTAIN MATERIAL PROVISIONS OF MARYLAND LAW, OUR CHARTER AND BYLAWS

The following is a summary of certain provisions of our charter and bylaws and Maryland law, does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and our charter and bylaws. See "Where You Can Find More Information" for information on how to obtain copies of our charter and bylaws.

General

Our charter provides that we may issue up to 100,000,000 shares of common stock, $.01 par value per share, and 10,000,000 shares of preferred stock, $.01 par value per share. A majority of our board of directors may, without any action by the stockholders, amend our charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Upon completion of this offering, shares of common stock will be issued and outstanding and no shares of preferred stock will be issued and outstanding. Under Maryland law, stockholders generally are not liable for the corporation's debts or obligations.

Common Stock

All shares of common stock offered hereby will be duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other class or series of stock and to the provisions of the charter regarding the restrictions on transfer of stock, holders of shares of our common stock are entitled to receive dividends on such stock if, as and when authorized by our board of directors and declared by us out of assets legally available therefor and to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all of our known debts and liabilities.

Subject to the provisions of our charter regarding the restrictions on transfer of stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of our common stock can elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund or redemption rights and have no preemptive rights to subscribe for any of our securities. Subject to the provisions of our charter regarding the restrictions on transfer of stock, shares of our common stock will have equal dividend, liquidation and other rights. Holders of shares of our common stock listed on a national securities exchange or the NASDAQ National Market will not have appraisal rights.

Our charter authorizes our board of directors to reclassify any unissued shares of common stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series.

Preferred Stock

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any series, as authorized by our board of directors. Prior to issuance of shares of each series, our board of directors is required by the MGCL and our charter to set, subject to the provisions of the charter regarding the restrictions on transfer of 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 for each such series. Thus, our board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests.

Power to Issue Additional Shares of Common Stock and Preferred Stock

We believe that the power of our board of directors to issue additional authorized but unissued shares of common stock or preferred stock and to classify or reclassify unissued shares of common stock or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs of our company that might arise. The additional classes or series, as well as the common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors has no intention at the present time of doing so, it could authorize us to issue a class or series that could have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests.

Restrictions on Ownership and Transfer

In order for us to qualify for and maintain our status as a REIT under the Code, our shares of stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of twelve months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities such as qualified pension plans) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

In order for us to qualify as a REIT under the Code, our charter, subject to certain exceptions, contains restrictions on the number of shares of our capital stock that a person may beneficially own. Our charter provides that, subject to some exceptions, no person may beneficially own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% of our common stock or of the value of the aggregate outstanding shares of our capital stock (the "Ownership Limit"), except that certain "look through entities," such as mutual funds, may beneficially own up to 15% of our common stock or of the value of the aggregate outstanding shares of our capital stock (the "Look-Through Ownership Limit"). Our board of directors has waived this ownership limitation for Marriott Hotel Services, Inc. and certain institutional investors and may waive it again in the future so long as our board of directors determines these waivers should not affect our REIT qualification. Our charter also prohibits any person from (a) owning shares of our capital stock if such ownership would result in our being "closely held" within the meaning of Section 856(h) of the Code, (b) transferring shares of our capital stock if such transfer would result in our capital stock being owned by fewer than 100 persons, (c) owning shares of our capital stock if such ownership would cause any of our income that would otherwise qualify as rents from real property to fail to qualify as such, including as a result of any of our hotel management companies failing to qualify as "eligible independent contractors" under the REIT rules and (d) owning shares of our capital stock if such ownership would result in our failing to qualify as a REIT for federal income tax purposes. Any person who acquires or attempts or intends to acquire beneficial ownership of shares of our capital stock that will or may violate any of these restrictions on transferability and ownership will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT.

Our board of directors, in its sole discretion, may exempt a person from the Ownership Limit and the Look-Through Ownership Limit. However, the board of directors may not grant such an exemption to any person whose ownership, direct or indirect, of in excess of 9.8% of the value of the outstanding shares of our capital stock would result in us failing to qualify as a REIT. The person seeking an exemption must represent to the satisfaction of our board of directors that it will not violate the aforementioned restrictions. The person also must agree that any violation or attempted violation of any of the foregoing restrictions or any such other restrictions that may be imposed by our board of directors will result in the automatic transfer of the shares of stock causing such violation to the Trust (as defined below). The board of directors may require a ruling from the Internal Revenue Service or an opinion of counsel, in either case in form and substance satisfactory to the board of directors in its sole discretion, in order to determine or ensure our status as a REIT. The foregoing restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in the best interests of the company to attempt to qualify, or continue to qualify, as a REIT.

If any transfer of shares of our capital stock or other event occurs which, if effective, would result in any person beneficially or constructively owning shares of our capital stock in excess or in violation of the above transfer or ownership limitations (a "Prohibited Owner"), then that number of shares of our capital stock the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded to the nearest whole share) shall be automatically transferred to a trust (the "Trust") for the exclusive benefit of one or more charitable beneficiaries (the "Charitable Beneficiary"), and the Prohibited Owner shall not acquire any rights in such shares. Such automatic transfer shall be deemed to be effective as of the close of business on the Business Day (as defined in our charter) prior to the date of such violative transfer. Shares of stock held in the Trust shall be issued and outstanding shares of our capital stock. The Prohibited Owner shall not benefit economically from ownership of any shares of stock held in the Trust, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares of stock held in the Trust. The trustee of the Trust (the "Trustee") shall have all voting rights and rights to dividends or other distributions with respect to shares of stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by us that shares of stock have been transferred to the Trustee shall be paid by the recipient of such dividend or distribution to the Trustee upon demand, and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares of stock held in the Trust and, subject to Maryland law, effective as of the date that such shares of stock have been transferred to the Trust, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by us that such shares have been transferred to the Trust and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. However, if we have already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote.

Within 20 days of receiving notice from us that shares of our capital stock have been transferred to the Trust, the Trustee shall sell the shares of stock held in the Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in our charter. Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as follows. The Prohibited Owner shall receive the lesser of (i) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (e.g., a gift, devise or other such transaction), the Market Price (as defined in the charter) of such shares on the day of the event causing the shares to be held in the Trust and (ii) the price per share received by the Trustee from the sale or other disposition of the shares held in the Trust. Any net sale proceeds in excess of the amount payable to the Prohibited Owner shall be paid immediately to the Charitable Beneficiary. If, prior to the discovery by us that shares of stock have been transferred to the Trust, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to the aforementioned requirement, such excess shall be paid to the Trustee upon demand.

In addition, shares of our capital stock held in the Trust shall be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date we, or our designee, accept such offer. We shall have the right to accept such offer until the Trustee has sold the shares of stock held in the Trust. Upon such a sale to us, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

In addition, until such time as any class of our equity securities becomes "publicly-offered securities" for purposes of certain regulations promulgated under ERISA by the U.S. Department of Labor, or the Plan Assets Regulation, our charter limits equity participation by "benefit plan investors" to less than 25% in the aggregate so that such participation in any class of our equity securities by such "benefit plan investors" will not be deemed "significant." For such purposes, the terms "benefit plan investors" and "significant" are determined by reference to the Plan Assets Regulation. For as long as this provision of our charter applies, if any transfer of shares of our capital stock or other event occurs that would result in equity participation by benefit investors of greater than 25% in the aggregate in violation of the above equity participation limitations, then that number of shares of our capital stock the ownership of which otherwise would cause such person to violate such limitations (rounded up to the nearest whole share) shall automatically be transferred to the Trust in the manner and with the other effects and consequences described above. We believe that, under the Plan Assets Regulation, our common stock should be considered "publicly-offered securities" after this offering and therefore this 25% limitation will no longer be applicable at that time. Thereafter, "benefit plan investors" will be prohibited from owning any class of our capital stock that does not qualify as "publicly-offered securities." See "ERISA Considerations."

All certificates representing shares of common stock and preferred stock, if any, will bear a legend referring to the restrictions described above.

Each stockholder shall provide to us such information as we may request, in good faith, in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These ownership limits could delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for the common stock or otherwise be in the best interests of our stockholders.

Transfer Agent and Registrar

The transfer agent and registrar of our common stock is American Stock Transfer & Trust Company.

Certain Provisions of Maryland Law and of Our Charter and Bylaws

Number, Election and Removal of Directors

Our charter and bylaws provide that the number of directors may be set only by our board of directors, but may never be less than the minimum number required by the MGCL nor more than 15. Our bylaws provide that a plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director.

The charter provides that, at such time as the company has three independent directors and our common stock is registered under the Exchange Act, the company elects to be subject to the provision of Subtitle 8 of Title 3 of the MGCL regarding the filling of vacancies on the board of directors. Accordingly, at such time, except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is elected and qualified.

The charter provides that a director may be removed with or without cause by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Charter Amendments and Extraordinary Corporate Actions

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter generally provides that, if such amendment or action is declared advisable by the board of directors and approved by at least 75% of the continuing directors (as defined in the charter), such amendment or action may be approved by stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. If such amendment or action is declared advisable by the board of directors, but does not receive the continuing director approval referred to above, such amendment or action must be approved by stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter.

Amendment of Bylaws

The charter and bylaws provide that our board of directors has the exclusive power to adopt, alter or repeal any provision of the bylaws and to make new bylaws.

Business Combinations

Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and any person who beneficially owns ten percent or more of the voting power of the corporation's shares or an affiliate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then-outstanding voting stock of the corporation (an "Interested Stockholder") or an affiliate of such an Interested Stockholder are prohibited for five years after the most recent date on which the Interested Stockholder becomes an Interested Stockholder. Thereafter, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (b) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the Interested Stockholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the Interested Stockholder becomes an Interested Stockholder. A person is not an Interested Stockholder under the statute if the board of directors approved in advance the transaction by which he otherwise would have become an Interested Stockholder. The board of directors may provide that its approval is subject to compliance with any terms and conditions determined by the board. Our board of directors has adopted a resolution opting out of the business combination provisions of the MGCL. This resolution, however, may be altered or repealed in whole or in part at any time and we may opt back into the business combination provisions of the MGCL. If this resolution is repealed, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

The MGCL provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror, by officers or by directors who are employees of the corporation. "Control Shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our capital stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

Unsolicited Takeovers

The "unsolicited takeover" provisions of the MGCL permit the board of directors, without stockholder approval and regardless of what is currently provided in the charter or bylaws, to implement takeover defenses, some of which we do not yet have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of the company under the circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then current market price.

Advance Notice of Director Nominations and New Business

Our bylaws provide that (a) with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by the board of directors or (iii) by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the bylaws and

(b) with respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting of stockholders and nominations of persons for election to the board of directors may be made only (i) pursuant to our notice of the meeting, (ii) by the board of directors or (iii) provided that the board of directors has determined that directors shall be elected at such meeting, by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the bylaws.

Anti-takeover Effect of Certain Provisions of Maryland Law and of the Charter and Bylaws

If the applicable board resolution is repealed, the business combination provisions and, if the applicable provision in the bylaws is rescinded, the control share acquisition provisions of the MGCL, the provisions of the charter relating to removal of directors and the advance notice provisions of the bylaws, among others, could delay, defer or prevent a transaction or a change in control of the company that might involve a premium price for holders of our common stock or otherwise be in their best interests.

DESCRIPTION OF THE PARTNERSHIP AGREEMENT OF DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP

The following is a summary of the material terms of the agreement of limited partnership of our operating partnership, which we refer to as the Partnership Agreement. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to the Partnership Agreement, a copy of which is an exhibit to the registration statement of which this prospectus is a part. See “Where You Can Find More Information.” Because, and so long as, we own all of the partnership interests in our operating partnership, we will be able to amend the Partnership Agreement of our operating partnership and we may, from time to time, modify the agreement so that it varies from the description set forth herein.

Management of the Operating Partnership

DiamondRock Hospitality Limited Partnership is a Delaware limited partnership that was formed on May 26, 2004. As sole general partner of the operating partnership, we exercise exclusive and complete responsibility and discretion in our operating partnership’s day-to-day management and control. We can cause our operating partnership to enter into certain major transactions including acquisitions, developments and dispositions of properties and refinancings of existing indebtedness. Currently, our wholly-owned subsidiary, DiamondRock Hospitality, LLC is the only limited partner of our operating partnership. Generally, limited partners may not transact business for, or participate in the management activities or decisions of, our operating partnership, except as provided in the Partnership Agreement and as required by applicable law. Certain restrictions under the Partnership Agreement restrict our ability to engage in a business combination as more fully described in “—Extraordinary Transactions” below.

In the event of any conflict in the fiduciary duties owed by us to our stockholders and by us, as general partner of our operating partnership, to the limited partners, we may act in the best interests of our stockholders without violating our fiduciary duties to the limited partners or being liable for any resulting breach of our duties to the limited partners.

The Partnership Agreement provides that our operating partnership is empowered to do any and all acts and things for the furtherance and accomplishment of our business, including all activities pertaining to the acquisition and operation of our properties, provided that our operating partnership shall not take, and will refrain from taking, any action which, in our judgment could adversely affect our ability to qualify as a REIT.

Removal of the General Partners; Transfer of the General Partner’s Interest

The Partnership Agreement provides that the limited partners may not remove us as general partner of the operating partnership. We may not transfer any of our interests as a general or limited partner in the operating partnership except (i) in connection with certain extraordinary transactions as described below; (ii) if the limited partners holding more than 50% of the units held by limited partners (other than limited partnership units held by us) consent to such transfer; or (iii) to certain of our affiliates.

Amendments of the Partnership Agreement

Amendments to the Partnership Agreement may only be proposed by us as general partner. Generally, the Partnership Agreement may be amended with our approval and the approval of the limited partners holding a majority of all outstanding limited partner units (including limited partner units held by us). Certain amendments that would, among other things, convert a limited partner’s interest into a general partner’s interest, modify the limited liability of a limited partner in a manner adverse to such limited partner, alter the rights of a partner to receive distributions or allocations, alter or modify the redemption right of a partner in a manner adverse to such partner, or cause the termination of the partnership prior to the time set forth in the Partnership Agreement must be approved by each partner that would be adversely affected by such amendment.

Notwithstanding the foregoing, we will have the power, without the consent of the limited partners, to amend the Partnership Agreement as may be required to:

- add to our obligations or surrender any right or power granted to us or any of our affiliates for the benefit of the limited partners;
- reflect the admission, substitution, termination or withdrawal of partners in accordance with the Partnership Agreement;
- set forth and reflect in the Partnership Agreement the designations, rights, powers, duties and preferences of the holders of any additional partnership units issued pursuant to the Partnership Agreement;
- reflect a change that is of an inconsequential nature and does not adversely affect the limited partners in any material respect, or to cure any ambiguity, correct or supplement any provision in the Partnership Agreement not inconsistent with law or with other provisions, or make other changes with respect to matters arising under the Partnership Agreement that will not be inconsistent with law or with the provisions of the Partnership Agreement; or
- satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law.

Certain provisions affecting our rights and duties as general partner (e.g., restrictions relating to certain extraordinary transactions involving us or the operating partnership) may not be amended without the approval of a majority of the limited partnership units (excluding limited partnership units held by us).

Redemption Rights

Under the current partnership agreement, limited partners have the right, commencing on or after the first anniversary of the issuance of the units to the limited partners, to require our operating partnership to redeem all or a portion of their units for cash or, at our option, shares of common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. The cash redemption amount per unit is based on the market price of our common stock at the time of redemption. We presently anticipate that we would elect to issue shares of our common stock in exchange for units in connection with each redemption request, rather than having our operating partnership redeem the units for cash. With each redemption or exchange, we would increase our percentage ownership interest in our operating partnership. Limited partners who hold units may exercise this redemption right from time to time, in whole or in part, subject to certain limitations, unless delivery of shares of common stock to a limited partner pursuant to the redemption right would be prohibited by our charter or prohibited by federal or state securities laws or regulations. At this time, no limited partnership units have been issued (other than to us), and that we may issue limited partnership units with rights, preferences and privileges different from those described in this paragraph or in this registration statement of which this prospectus is a part.

Issuance of Additional Units, Common Stock or Convertible Securities

As sole general partner, we have the ability to cause our operating partnership to issue additional partnership units to the partners (including to us). These additional units may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, rights, powers and duties as we may determine in our sole and absolute discretion. In addition, we may issue additional shares of our common stock or rights, options, warrants or convertible or exchangeable securities, but only if it causes our operating partnership to issue, to us, partnership units or rights, options, warrants or convertible or exchangeable securities of the operating partnership having designations, preferences and other rights, so that the economic interests of the operating partnership’s units issued are substantially similar to the securities that we have issued. Unless expressly granted by the operating partnership, no limited partner will have preemptive, preferential or similar rights with respect to additional capital contributions to the operating partnership or the issuance or sale of any partnership units.

Tax Matters

As the general partner, we are the tax matters partner of our operating partnership and, as such, have authority to make tax elections under the Code on behalf of our operating partnership.

Extraordinary Transactions

The Partnership Agreement provides that we may not generally engage in any merger, consolidation, or other combination with any other person or sale of all or substantially all of our assets, or any reclassification, recapitalization or change of outstanding shares of our common stock or adopt a plan of liquidation and dissolution (an "extraordinary transaction") unless the holders of units will receive, or have the opportunity to receive, at least the same consideration per unit as holders of our common stock receive per share of common stock in the transaction. If holders of units will not be treated in this manner in connection with a proposed extraordinary transaction, we cannot engage in such a transaction unless limited partners (other than us) holding more than 50% of the units held by limited partners vote to approve the extraordinary transaction.

We may also engage in an extraordinary transaction without the consent or approval of the limited partners if we engage in a merger, or other combination of assets with another entity and:

- substantially all of the assets of the surviving entity are held directly or indirectly by the operating partnership or another limited partnership or limited liability company which is the surviving partnership of a merger, consolidation or combination of assets with the operating partnership;
- the rights, preferences and privileges of such unit holders in the surviving partnership are at least as favorable as those in effect immediately prior to the consummation of the transaction and as those applicable to any other limited partners or non-managing members of the surviving partnership; and
- the limited partners may exchange their units in the surviving partnership for either the same consideration per unit as holders of our common stock receive per share of common stock in the transaction, or if the ultimate controlling person of the surviving partnership has common equity securities, at an exchange ratio based on the relative fair market value of those securities and our common stock.

Term

The operating partnership will continue in full force and effect until 2104, or until sooner dissolved in accordance with the terms of the Partnership Agreement or as otherwise provided by law.

Exculpation and Indemnification of the General Partner

The Partnership Agreement generally provides that we will incur no liability to the operating partnership or any limited partner for losses sustained or liabilities incurred as a result of errors in judgment or mistakes of fact or law or of any act or omission unless we acted in bad faith and the act or omission was material to the matter giving rise to the loss or liability. In addition, we are not responsible for any misconduct or negligence on the part of our agents, provided we appointed our agents in good faith. We may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors, and any action we may take or omit to take in reliance upon the opinion of such persons, as to matters that we reasonably believe to be within such persons' professional or expert competence, shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion. The Partnership Agreement also provides for indemnification of us, our directors and officers, limited partners and such other persons as we may from time to time designate against any losses, claims, damages, judgments, penalties, fines, settlements and reasonable expenses actually incurred by such person in connection with the preceding unless it is established that:

- the act or omission of the indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty;
- the indemnitee actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the indemnitee had reasonable cause to believe that the act or omission was unlawful.

SHARES ELIGIBLE FOR FUTURE SALE

General

Prior to this offering, there has been no public market for our stock. Future sales of substantial amounts of our common stock in the public market following this offering, or the possibility of such sales occurring, could adversely affect prevailing market prices for our common stock or could impair our ability to raise capital through further offerings of equity securities.

Upon completion of this offering, we expect to have outstanding shares of our common stock (shares if the underwriters' over-allotment option is exercised in full) including shares of restricted stock with an approximate value of $ million (shares) issued to our officers and directors in consideration of their services as officers and directors of our company. Our common stock issued in this offering will be freely tradable by persons other than our affiliates, subject to certain limitations on ownership set forth in our governing documents. See "Description of Capital Stock and Certain Material Provisions of Maryland Law, Our Charter and Bylaws—Restrictions on Ownership and Transfer."

The number of shares of common stock that may be issued pursuant to awards granted under the 2004 Stock Option and Incentive Plan is limited to 1,107,500 shares of common stock. See "Management—Equity Incentive Plan."

Upon completion of this offering, up to of our outstanding shares will be "restricted" shares, as that term is defined in Rule 144 under the Securities Act. Until we file a registration statement on Form S-8 to register our issuance of common shares under our 2004 Stock Option and Incentive Plan, any restricted shares of common stock that we may issue under the 2004 Stock Option and Incentive Plan will also be "restricted" shares. The resale restrictions applicable to "restricted" shares are described below. We intend to file a registration statement on Form S-8 to register our issuance of common shares under our 2004 Stock Option and Incentive Plan.

We cannot assure you of:

- the likelihood that an active market for the shares will develop;
- the liquidity of any such market;
- the ability of stockholders to sell their common stock; or
- the prices that stockholders may be able to obtain for their common stock.

In connection with our July 2004 private placement, we entered into a registration rights agreement with Friedman, Billings, Ramsey & Co. on behalf of the holders of common stock issued in the private placement. Pursuant to that agreement, we have included in the registration statement, of which this prospectus is a part, shares of common stock proposed to be offered by certain selling stockholders who purchased shares of our common stock originally issued and sold in the private placement. We have also agreed to file a shelf registration statement for the benefit of the holders of shares of our common stock issued in the private placement within nine months after the completion of the private placement and to use our commercially reasonable to have the shelf registration declared affective. We agreed to cause this shelf registration statement to remain effective until the first to occur of (1) the disposition of all shares of common stock sold in the private placement under a registration statement or pursuant to Rule 144, (2) the date on which the shares of common stock sold in the private placement are saleable under Rule 144 (k) under the Securities Act or (3) the date that is two years after the effective date of the shelf registration statement. Following effectiveness of this shelf registration statement, substantially all of the shares sold in the private placement will be freely tradeable.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares of our common stock for at least one year would be entitled to sell, within any three-month period, that number of shares that does not exceed the greater of:

- 1% of the shares of our common stock then outstanding, which will equal approximately shares immediately after this offering (shares if the underwriters exercise their over-allotment option in full); or
- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Rule 701

Rule 701 under the Securities Act may be relied upon with respect to the resale of securities originally purchased from us by our employees, trustees or officers prior to this offering. In addition, the SEC has indicated that Rule 701 will apply to the typical stock options granted by an issuer before it becomes a public company, along with the shares acquired upon exercise of those options, including exercises after the date of this offering. Securities issued in reliance on Rule 701 are restricted securities and, subject to the “lock-up” agreements described above, beginning 90 days after the date of this prospectus, may be sold by:

- persons other than affiliates, in ordinary brokerage transactions; and
- by affiliates under Rule 144 without compliance with the one-year holding requirement.

Redemption Rights

Under our Partnership Agreement, limited partners have the right, commencing on or after the first anniversary of the issuance of the units to the limited partners, to require our operating partnership to redeem all or a portion of their units for cash or, at our option, shares of common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. The cash redemption amount per unit is based on the market price of our common stock at the time of redemption. We presently anticipate that we would elect to issue shares of our common stock in exchange for units in connection with each redemption request, rather than having our operating partnership redeem the units for cash. With each redemption or exchange, we would increase our percentage ownership interest in our operating partnership. Limited partners who hold units may exercise this redemption right from time to time, in whole or in part, subject to certain limitations, unless delivery of shares of common stock to a limited partner pursuant to the redemption right would be prohibited by our charter or prohibited by federal or state securities laws or regulations. It should be noted that no limited partnership units have been issued (other than to us), and that we may issue limited partnership units with rights, preferences and privileges different from those described in this paragraph or in this registration statement of which this prospectus is a part.

FEDERAL INCOME TAX CONSIDERATIONS

The following summary outlines certain U.S. federal income tax considerations relating to an investment in our common stock, including the federal income tax consequences under current law that are likely to be material to a purchaser of our common stock in this offering who is a "U.S. stockholder" (as hereinafter defined) and who will hold its shares as a capital asset. This summary does not contain a complete discussion of the federal tax aspects of the investment that may be important to you. Moreover, it does not address any foreign, state, or local tax consequences of an investment in our common stock. The provisions of the Code concerning the federal income tax treatment of a REIT and its stockholders are highly technical and complex; the following discussion sets forth only certain aspects of those provisions. This summary is intended to provide you with general information only and is not intended as a substitute for careful tax planning. The discussion below assumes that you will hold our common stock as a capital asset. We do not address the federal income tax consequences that may be relevant to stockholders subject to special treatment under the Code, including, without limitation, insurance companies, regulated investment companies, financial institutions, broker-dealers, tax-exempt or non-U.S. investors (except as specifically discussed below), foreign governments, stockholders that hold our stock as a hedge, part of a straddle, conversion transaction, or other arrangement involving more than one position, or through a partnership or other entity, or U.S. expatriates.

This summary is based on provisions of the Code, applicable final and temporary Treasury Regulations, judicial decisions, and administrative rulings and practice, all in effect as of the date of this prospectus, and should not be construed as legal advice. No assurance can be given that future legislative or administrative changes or judicial decisions will not affect the accuracy of the descriptions or conclusions contained in this summary. In addition, any such changes may be retroactive and apply to transactions entered into prior to the date of their enactment, promulgation or release. We do not expect to seek a ruling from the Internal Revenue Service, or IRS, regarding any of the federal income tax issues discussed in this offering memorandum, and no assurance can be given that the IRS will not challenge any of the positions we take and that such a challenge will not succeed. ***Prospective purchasers of our common stock are urged to consult their own tax advisors prior to any investment in our common stock concerning the potential federal, state, local, and foreign tax consequences of the investment with specific reference to their own tax situations.***

Except as otherwise noted, references in this discussion of Federal Income Tax Considerations to "we," "our," "us" and "our company" refer to DiamondRock Hospitality Company and not our taxable REIT subsidiaries.

Taxation of the Company

During 2004, we received a $2.5 million non-recoverable key money payment from Marriott in connection with our acquisition of the Courtyard Midtown East that, if recognized as income to DiamondRock Hospitality Company for tax purposes, would have prevented us from qualifying as a REIT for 2004. Based on the unique circumstances of that transaction with Marriott, it is not entirely clear whether the receipt of the key money should have been recognized as income to DiamondRock Hospitality Company for tax purposes. For the above reasons, we decided to defer the REIT election until 2005 and be taxed as a C corporation for 2004. We will pay approximately $900,000 of taxes as a C corporation in 2004. Assuming that we could have qualified as a REIT for 2004 and that the key money was received by our TRS, and not DiamondRock Hospitality Company, we estimate that our tax liability for 2004 would have been approximately $1 million as a REIT. In 2005, we began structuring our key money transactions to clarify that our TRS, and not DiamondRock Hospitality Company, will receive all future key money payments. Beginning January 1, 2005, we believe we have qualified as a REIT, and we will elect to be taxed as a REIT for the fiscal year ended December 31, 2005 and for subsequent taxable years. Except as otherwise noted, the following discussion assumes that we qualify as a REIT effective January 1, 2005.

In connection with this offering, we will receive an opinion of Goodwin Procter LLP that our form of organization and prior, current and proposed ownership and method of operations will permit us to qualify as a REIT under Sections 856 through 860 of the Code for our taxable year ending December 31, 2005 and for subsequent taxable years. The opinion of Goodwin Procter LLP will be based on various assumptions and on our representations to them concerning our current and continuing organization, our prior, current and proposed ownership and operations, and our shareholders' current and future relationships with our hotel management companies, and other matters relating to our ability to qualify as a REIT. The opinion will be expressly conditioned upon the accuracy of such assumptions and representations, which Goodwin Procter LLP will not verify. Moreover, qualification and taxation as a REIT will depend upon our ability to meet, through actual annual operating results, distribution levels, diversity of stock ownership and the absence of prohibited relationships with our hotel management companies, the various and complex REIT qualification tests imposed under the Code, the results of which will not be reviewed or verified by Goodwin Procter LLP. See "—Qualification as a REIT" below. Accordingly, no assurance can be given that we will in fact satisfy such requirements. The opinion of Goodwin Procter LLP will be based upon current law, which is subject to change either prospectively or retroactively. Changes in applicable law could modify the conclusions expressed in the opinion. Moreover, unlike a ruling from the IRS, an opinion of Goodwin Procter LLP is not binding on the IRS, and no assurance can be given that the IRS could not successfully challenge our status as a REIT.

If we qualify as a REIT, we generally will be allowed to deduct dividends paid to our stockholders, and, as a result, we generally will not be subject to federal income tax on that portion of our ordinary income or net capital gain that we currently distribute to our stockholders. We expect to make distributions to our stockholders on a regular basis as necessary to avoid material federal income tax and to comply with the REIT requirements. See "—Qualification as a REIT—Annual Distribution Requirements" below.

Notwithstanding the foregoing, even if we qualify for taxation as a REIT, we nonetheless may be subject to federal income tax in certain circumstances, including the following:

- We will be required to pay federal income tax on our undistributed taxable income, including net capital gain;
- We may be subject to the "alternative minimum tax;"
- We may be subject to tax at the highest corporate rate on certain income from "foreclosure property" (generally, property acquired by reason of default on a lease or indebtedness held by us);
- We will be subject to a 100% federal income tax on net income from "prohibited transactions" (generally, certain sales or other dispositions of property, sometimes referred to as "dealer property," held primarily for sale to customers in the ordinary course of business);
- If we fail to satisfy the 75% gross income test or the 95% gross income test (discussed below), but nonetheless maintain our qualification as a REIT pursuant to certain relief provisions, we will be subject to a 100% federal income tax on the greater of (i) the amount by which we fail the 75% gross income test or (ii) the amount by which 95% of our gross income exceeds the amount of our income qualifying under the 95% gross income test, multiplied by a fraction intended to reflect our profitability;
- If we fail to satisfy the 5% or the 10% asset tests, and the failure qualifies under the Non-De Minimis Exception, as described below under "—Asset Tests," then we will have to pay an excise tax equal to the greater of (i) $50,000; and (ii) an amount determined by multiplying the net income generated during a specified period by the assets that caused the failure by the highest federal income tax applicable to corporations.
- If we fail to satisfy any REIT requirements other than the income test or asset test requirements, described below under "—Income Tests" and "—Asset Tests," respectively, and we qualify for a reasonable cause exception, then we will have to pay a penalty equal to $50,000 for each such failure.
- We will be subject to a 4% excise tax if certain distribution requirements are not satisfied;
- Because we were a C corporation for our taxable year ending December 31, 2004, we generally will be subject to a corporate-level tax on a taxable disposition of any appreciated asset we hold as of the effective date of our REIT election, which is expected to be January 1, 2005. Specifically, if we dispose

of a built-in-gain asset in a taxable transaction prior to tenth anniversary of the effective date of our REIT election, we would be subject to tax at the highest regular corporate rate (currently 35%) on the lesser of the gain recognized and the asset's built-in-gain.

- If we dispose of an asset acquired by us from a C corporation in a transaction in which we took the C corporation's tax basis in the asset, we may be subject to tax at the highest regular corporate rate on the appreciation inherent in such asset as of the date of acquisition by us;
- We will be required to pay a 100% tax on any redetermined rents, redetermined deductions, and excess interest. In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our non-TRS tenants by one of our TRSs. Redetermined deductions and excess interest generally represent amounts that are deducted by a TRS lessee or other TRS for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's-length negotiations; and
- Income earned by any of our TRS lessees and other TRSs will be subject to tax at regular corporate rates.

No assurance can be given that the amount of any such federal income taxes will not be substantial. We note that the assets we acquired during 2004 were acquired on or after October 27, 2004, and we do not believe the built-in gain in such assets as of January 1, 2005 was material. Accordingly, we do not expect to be subject to significant corporate tax liabilities if we decide to sell an asset we acquired in 2004 within the 10-year period following our REIT election. In addition, because we were a C corporation in 2004, we (including our consolidated subsidiaries) are subject to tax on our 2004 taxable income at regular corporate rates.

Qualification as a REIT

In General

The REIT provisions of the Code apply to a domestic corporation, trust, or association (i) that is managed by one or more trustees or directors, (ii) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest, (iii) that properly elects to be taxed as a REIT, (iv) that is neither a financial institution nor an insurance company, (v) that uses a calendar year for federal income tax purposes and complies with applicable recordkeeping requirements, and (vi) that meets the additional requirements discussed below.

Ownership Tests

Commencing with our second REIT taxable year, (i) the beneficial ownership of our common stock must be held by 100 or more persons during at least 335 days of a 12-month taxable year (or during a proportionate part of the taxable year of less than 12 months) for each of our taxable years and (ii) during the last half of each taxable year, no more than 50% in value of our stock may be owned, directly or indirectly, by or for five or fewer individuals (the "5/50 Test"). The term "individual" for purposes of the 5/50 Test includes a private foundation, a trust providing for the payment of supplemental unemployment compensation benefits, and a portion of a trust permanently set aside or to be used exclusively for charitable purposes. A qualified trust described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code generally is not treated as an individual; rather, shares held by it are treated as owned proportionately by its beneficiaries. However, if treating qualified trusts as individuals would cause us to fail the 5/50 Test, we may be treated as a "pension-held REIT." See "—Unrelated Business Taxable Income—In General." Stock ownership is determined by applying the constructive ownership provisions of Section 544(a) of the Code, subject to certain modifications.

We believe we have issued sufficient common stock (including issuances pursuant to this offering) to satisfy the above ownership requirements and will monitor the issuances of shares pursuant to this offering. In addition, our charter restricts ownership and transfers of our stock that would violate these requirements, although these restrictions may not be effective in all circumstances to prevent a violation. We will be deemed to have satisfied the 5/50 Test for a particular taxable year if we have complied with all the requirements for ascertaining the ownership of our outstanding stock in that taxable year and have no reason to know that we have violated the 5/50 Test.

Income Tests

In order to maintain qualification as a REIT, we must annually satisfy two gross income requirements:

1) First, at least 75% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived, directly or indirectly, from investments relating to real property or mortgages on real property or from certain types of temporary investments (or any combination thereof). Qualifying income for the purposes of this 75% gross income test generally includes: (a) rents from real property, (b) interest on debt secured by mortgages on real property or on interests in real property, (c) dividends or other distributions on, and gain from the sale of, shares in other REITs, (d) gain from the sale of real estate assets (other than gain from prohibited transactions), (e) income and gain derived from foreclosure property, and (f) income from certain types of temporary investments; and
2) Second, in general, at least 95% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from the real property investments described above and from other types of dividends and interest, gain from the sale or disposition of stock or securities that are not dealer property, or any combination of the above. Gross income from certain transactions entered into by us to hedge indebtedness we incur to acquire or carry real estate assets is not included in gross income for purposes of the 95% income test.

For purposes of the 75% and the 95% gross income tests, we are treated as receiving our proportionate share of our operating partnership's gross income.

If we fail to satisfy one or both of the 75% or the 95% gross income tests, we may nevertheless qualify as a REIT for such year if we are entitled to relief under certain provisions of the Code. Those relief provisions generally will be available if our failure to meet such tests is due to reasonable cause and not due to willful neglect and we file a schedule describing each item of the Company's gross income for such year(s) in accordance with regulations to be prescribed by the Secretary of the Treasury. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. As discussed above in "—Taxation of the Company," even if these relief provisions were to apply, we would be subject to federal income tax with respect to our excess net income.

Hotel properties

Operating revenues from our hotel properties are not qualifying income for purposes of either the 75% or the 95% gross income test. Accordingly, in order for us to generate qualifying income with respect to our hotel property investments under the REIT rules, we must master-lease our hotels. Specifically, our operating partnership has formed a subsidiary that has elected to be treated as our TRS and may, in the future, form other subsidiaries that elect to be treated as our TRSs (each a "TRS lessee"). The TRS lessee master-leases (directly or through subsidiaries) hotel properties from the operating partnership (or its affiliates). In certain instances (such as non-U.S. investments), we may own a hotel property through a TRS. One or more hotel management company will manage the hotel properties leased to each TRS lessee or owned by a TRS. We also may lease a hotel property to an unrelated lessee.

In general, rent paid by a related party tenant, such as a TRS lessee, is not qualifying "rents from real property" for purposes of the REIT gross income tests, but rent paid by a TRS lessee to our operating partnership with respect to a lease of a "qualified lodging facility" from the operating partnership can be qualifying rents from real property under the REIT rules as long as such TRS lessee does not directly or indirectly operate or manage any hotel property or provide rights to any brand name under which any hotel property is operated.

Instead, the hotel property must be operated on behalf of the TRS lessee by a person who qualifies as an "eligible independent contractor," defined as an "independent contractor" who is, or is related to a person who is, actively engaged in the trade or business of operating "qualified lodging facilities" for any person unrelated to us and the TRS lessee. See "—Investments in Taxable REIT Subsidiaries" below for a further discussion of the issue and a discussion of the definition of an "independent contractor" and the qualification of Marriott (or another hotel management company) as an "eligible independent contractor." A "qualified lodging facility" is a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis, provided that wagering activities are not conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. A "qualified lodging facility" includes customary amenities and facilities operated as part of, or associated with, the lodging facility as long as such amenities and facilities are customary for other properties of a comparable size and class owned by other unrelated owners. We believe that our hotel properties are qualified lodging facilities. Rent paid by a TRS lessee that failed to qualify as rents from real property under the REIT rules would be non-qualifying income for purposes of the REIT gross income tests.

Two other limitations may affect our ability to treat rent paid by a TRS lessee or other lessee as qualifying rents from real property under the REIT rules. If the rent attributable to personal property leased by the TRS lessee (or other lessee) in connection with a lease of real property is greater than 15% of the total rent under the lease, then the portion of the rent attributable to such personal property will not qualify as rents from real property. Also, an amount received or accrued will not qualify as rents from real property for purposes of either the 75% or the 95% gross income test if it is based in whole or in part on the income or profits derived by any person from such property. However, an amount received or accrued will not be excluded from rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales. To comply with the limitation on rents attributable to personal property, a TRS lessee may acquire furnishings, equipment, and/or personal property used in hotel property, at least to the extent that they exceed this 15% limit. To comply with the prohibition on rent based on net income, the leases will provide that each TRS lessee is obligated to pay our operating partnership a minimum base rent together with a gross percentage rent, at rates intended to equal market rental rates.

In addition, rent paid by a TRS lessee or other lessee that leases a hotel property from our operating partnership will constitute rents from real property for purposes of the REIT gross income tests only if the lease is respected as a true lease for federal income tax purposes and is not treated as a service contract, joint venture, or some other type of arrangement. The determination of whether a lease is a true lease depends upon an analysis of all the surrounding facts and circumstances. Potential investors in shares of our common stock should be aware, however, that there are no controlling regulations, published administrative rulings, or judicial decisions involving leases with terms substantially similar to the contemplated leases between our operating partnership and the TRS lessees that discuss whether the leases constitute true leases for federal income tax purposes. We believe that the leases with our TRS lessees should be treated as true leases; however, there can be no assurance that the IRS or a court will not assert a contrary position. If any leases between our operating partnership and a TRS lessee are re-characterized as service contracts or partnership agreements, rather than as true leases, part or all of the payment that we receive from such TRS lessee would not be considered rent or would otherwise fail the various requirements for qualification as rents from real property.

Finally, for rents received by or attributed to us to qualify as rents from real property, we generally must not furnish or render any services to tenants, other than through a TRS or an independent contractor from whom we derive no income, except that we and our operating partnership may directly provide services that are "usually or customarily rendered" in connection with the rental of properties for occupancy only, or are not otherwise considered rendered to the occupant "for his convenience." We believe that neither we nor our operating partnership will provide any services to our TRS lessee or any other tenants.

We believe that, for purposes of both the 75% and the 95% gross income tests, our operating partnership's investments in hotel properties generally give rise to qualifying income in the form of rents from real property, and that gains on the sales of the hotel properties will also constitute qualifying income. However, no assurance can be given that either the rents or the gains will constitute qualifying income. In that case, we may not be able to satisfy either the 75% or the 95% gross income test and, as a result, could lose our REIT status. In the case of hotel properties owned, rather than leased, by a TRS, dividends from such TRS of its earnings and gains from such hotel properties would not be qualifying income for purposes of the 75% gross income test.

Asset Tests

At the close of each quarter of our taxable year, we must also satisfy three tests relating to the nature of our assets. First, real estate assets, cash and cash items, and government securities must represent at least 75% of the value of our total assets. Second, of the investments that are not included in the 75% asset class and that are not securities of our TRS lessees or other TRSs, (i) the value of any one issuer's securities owned by us may not exceed 5% of the value of our total assets and (ii) we may not own more than 10% by vote or by value of any one issuer's outstanding securities. For purposes of the 10% value test, debt instruments issued by a partnership are not classified as "securities" to the extent of our interest as a partner in such partnership (based on our proportionate share of the partnership's equity interests and certain debt securities) or if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test. For purposes of the 10% value test, the term "securities" also does not include debt securities issued by another REIT, certain "straight debt" securities (for example, qualifying debt securities of a corporation of which we own no equity interest), loans to individuals or estates, and accrued obligations to pay rent. Third, securities of our TRS lessees or other TRSs cannot represent more than 20% of our total assets. Although we intend to meet these asset tests, no assurance can be given that we will be able to do so. For purposes of these asset tests, we are treated as holding our proportionate share of our operating partnership's assets.

We will monitor the status of our assets for purposes of the various asset tests and will endeavor to manage our portfolio in order to comply at all times with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT status if one of the following exceptions applies:

- We satisfied the asset tests at the end of the preceding calendar quarter, and the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets; or
- We eliminate any discrepancy within 30 days after the close of the calendar quarter in which it arose.

Moreover, if we fail to satisfy the asset tests at the end of a calendar quarter during a taxable year, we will not lose our REIT status if one of the following additional exceptions applies:

- De Minimis Exception: The failure is due to a violation of the 5% or 10% asset tests referenced above and is "de minimis" (for this purpose, a "de minimis" failure is one that arises from our ownership of assets the total value of which does not exceed the lesser of 1% of the total value of our assets at the end of the quarter in which the failure occurred and $10 million), and we either dispose of the assets that caused the failure or otherwise satisfy the asset tests within 6 months after our identification of the failure; or
- Non-De Minimis Exception: All of the following requirements are satisfied: (i) the failure is not "de minimis" as defined above, (ii) the failure is due to reasonable cause and not willful neglect, (iii) we file a schedule in accordance with Treasury Regulations providing a description of each asset that caused the failure, (iv) we either dispose of the assets that caused the failure or otherwise satisfy the asset tests within 6 months after our identification of the failure, and (v) we pay an excise tax as described above in "—Taxation of Our Company."

Annual Distribution Requirements

In order to qualify as a REIT, we must distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (determined without regard to the dividends paid deduction and by excluding any net capital gain) and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. We generally must pay such distributions in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and if paid on or before the first regular dividend payment after such declaration.

To the extent that we do not distribute all of our net capital gain and REIT taxable income, we will be subject to tax on the undistributed amount at corporate capital gains and ordinary tax rates, respectively. Furthermore, if we should fail to distribute during each calendar year at least the sum of (i) 85% of our ordinary income for such year, (ii) 95% of our capital gain net income for such year, and (iii) any undistributed ordinary income and capital gain net income from prior periods, we will be subject to a 4% nondeductible excise tax on the excess of such required distribution over the amounts actually distributed.

Under certain circumstances, we may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year that may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends; however, we will be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

In addition, dividends we pay must not be preferential. If a dividend is preferential, it will not qualify for the dividends paid deduction. To avoid paying preferential dividends, we must treat every stockholder of the class of stock with respect to which we make a distribution the same as every other stockholder of that class, and we must not treat any class of stock other than according to its dividend rights as a class.

We may retain and pay income tax on net long-term capital gains we received during the tax year. To the extent we so elect, (i) each stockholder must include in its income (as long-term capital gains) its proportionate share of our undistributed long-term capital gains, (ii) each stockholder's basis in its shares of our stock is increased by the included amount of the undistributed long-term capital gains, and (iii) each stockholder is deemed to have paid, and receives a credit for, its proportionate share of the tax paid by us on the undistributed long-term capital gains.

To qualify as a REIT, we may not have, at the end of any taxable year, any undistributed earnings and profits accumulated in any non-REIT taxable year. Our non-REIT earnings and profits will include any earnings and profits we accumulated before the effective date of our REIT election. We expect to distribute sufficient earnings and profits before December 31, 2005 to eliminate any non-REIT earnings and profits, which distributions would be in addition to distributions we are required to make to satisfy the 90% distribution test (as discussed above) and avoid incurring tax on our undistributed income.

Failure to Qualify

If we fail to qualify as a REIT and such failure is not an asset test or income test failure, we generally will be eligible for a relief provision if the failure is due to reasonable cause and not willful neglect and we pay a penalty of $50,000 with respect to such failure.

If we fail to qualify for taxation as a REIT in any taxable year and no relief provisions apply, we generally will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to our stockholders in any year in which we fail to qualify as a REIT will not be deductible by us. In such event, to the extent of current or accumulated earnings and profits, all distributions to our stockholders will be taxable as dividend income. Subject to certain limitations in the Code, corporate stockholders may be eligible for the dividends received deduction, and individual, trust and estate stockholders may be eligible to treat the dividends received from us as qualified dividend income taxable as net capital gains, under the provisions of Section 1(h)(11) of the Code, through the end of 2008. Unless entitled to relief under specific statutory provisions, we also will be ineligible to elect REIT status again prior to the fifth taxable year following the first year in which we failed to qualify as a REIT under the Code.

Our qualification as a REIT for federal income tax purposes will depend on our continuing to meet the various requirements summarized above governing the ownership of our outstanding shares, the nature of our assets, the sources of our income, and the amount of our distributions to our stockholders. Although we intend to operate in a manner that will enable us to comply with such requirements, there can be no certainty that such intention will be realized. In addition, because the relevant laws may change, compliance with one or more of the REIT requirements may become impossible or impracticable for us.

Qualified REIT Subsidiaries and Disregarded Entities

If we own a corporate subsidiary that is a “qualified REIT subsidiary” (“QRS”), or if we or our operating partnership own 100% of the membership interests in a limited liability company or other unincorporated entity that does not elect to be treated as a corporation for federal income tax purposes, the separate existence of the QRS, limited liability company or other unincorporated entity generally will be disregarded for federal income tax purposes. Generally, a QRS is a corporation, other than a TRS, all of the stock of which is owned by a REIT. A limited liability company or other unincorporated entity 100% owned by a single member that does not elect to be treated as a corporation for federal income tax purposes generally is disregarded as an entity separate from its owner for federal income tax purposes. All assets, liabilities, and items of income, deduction, and credit of the QRS or disregarded entity will be treated as assets, liabilities, and items of income, deduction, and credit of its owner. If we own a QRS or a disregarded entity, neither will be subject to federal corporate income taxation, although such entities may be subject to state and local taxation in some states.

Taxation of the Operating Partnership

Our operating partnership currently is a disregarded entity because we own 100% of the interests in it, directly or through other disregarded entities. If we admit other limited partners, our operating partnership will be treated as a partnership for tax purposes, as described below.

Under the Code, a partnership is not subject to federal income tax, but is required to file a partnership tax information return each year. In general, the character of each partner’s share of each item of income, gain, loss, deduction, credit, and tax preference is determined at the partnership level. Each partner is then allocated a distributive share of such items in accordance with the partnership agreement and is required to take such items into account in determining the partner’s income. Each partner includes such amount in income for any taxable year of the partnership ending within or with the taxable year of the partner, without regard to whether the partner has received or will receive any cash distributions from the partnership. Cash distributions, if any, from a partnership to a partner generally are not taxable unless and to the extent they exceed the partner’s basis in its partnership interest immediately before the distribution. Any amounts in excess of such tax basis will generally be treated as a sale of such partner’s interest in the partnership.

If and when our operating partnership becomes taxable as a partnership, rather than a disregarded entity, we generally will be treated for federal income tax purposes as contributing our properties to the operating partnership at such time. If our properties are appreciated at such time, we could recognize a smaller share of tax depreciation, and a larger share of tax gain on sale, from such properties subsequent to that deemed contribution, as compared to our percentage interest in the operating partnership. This deemed contribution also could trigger tax gain in some circumstances, but we expect to structure the admission of outside partners in a manner that should avoid any such gain.

As noted above, for purposes of the REIT income and asset tests, we are treated as holding or receiving our proportionate share of our operating partnership’s assets and income respectively. We will control our operating partnership and intend to operate it consistently with the requirements for our qualification as a REIT.

We may use our operating partnership to acquire hotel properties in exchange for operating partnership units, in order to permit the sellers of such properties to defer recognition of their tax gain. In such a transaction, our initial tax basis in the hotel properties acquired generally will be less than the purchase price of the hotel properties. Consequently, our depreciation deductions for such properties may be less, and our tax gain on a sale of such properties may be more, than the deductions or gain, respectively, that we would have if we acquired these properties in taxable transactions. In addition, we may issue equity compensation to employees in the form of interests in our operating partnership that provides for capital gain treatment to the employees but does not generate a corresponding deduction for our operating partnership.

The discussion above assumes our operating partnership will be treated as a "partnership" for federal income tax purposes once it is no longer treated as a disregarded entity. Generally, a domestic unincorporated entity such as our operating partnership with two or more partners is treated as a partnership for federal income tax purposes unless it affirmatively elects to be treated as a corporation. However, certain "publicly traded partnerships" are treated as corporations for federal income tax purposes. Once our operating partnership is no longer a disregarded entity for federal income tax purposes, we intend to comply with one or more exceptions from treatment as a corporation under the publicly traded partnership rules. Failure to qualify for such an exception would prevent us from qualifying as a REIT.

Investments in Taxable REIT Subsidiaries

We and each subsidiary intended to qualify as a TRS, including each TRS lessee that leases one or more hotel properties from our operating partnership, have made (or will make, as applicable) a joint election for the TRS to be treated as a taxable REIT subsidiary of our REIT. A domestic TRS (or a foreign TRS with income from a U.S. business) pays federal, state, and local income taxes at the full applicable corporate rates on its taxable income prior to payment of any dividends. Thus, our TRS will pay corporate tax on key money when it is paid, notwithstanding the treatment of key money payments for accounting purposes. A TRS owning or leasing a hotel property outside of the U.S. may pay foreign taxes. The taxes owed by our TRSs could be substantial. To the extent that our TRSs are required to pay federal, state, local, or foreign taxes, the cash available for distribution by us will be reduced accordingly.

A TRS is permitted to engage in certain kinds of activities that cannot be performed directly by us without jeopardizing our REIT status. A TRS is subject to limitations on the deductibility of payments made to us which could materially increase its taxable income and also is subject to prohibited transaction taxes on certain other payments made, directly or indirectly, to us. We will be subject to a 100% tax on the amounts of any rents from real property, deductions, or excess interest received from a TRS that would be reduced through reapportionment under Section 482 of the Code in order to more clearly reflect the income of the TRS. In particular, this 100% tax would apply to our share of any rent paid by a TRS lessee that was determined to be in excess of a market rate rent.

As discussed above in "—Qualification as a REIT—Income Tests," our TRS leases qualified lodging facilities from our operating partnership (or its affiliates). However, a TRS may not directly or indirectly operate or manage any hotel property or provide rights to any brand name under which any hotel property is operated. Specifically, rents paid by a TRS lessee can qualify as rents from real property only so long as the property is operated and managed on behalf of the TRS lessee by an "eligible independent contractor," which is a person (or entity) that satisfies the following requirements: (i) such person is, or is related to a person who is, actively engaged in the trade or business of operating qualified lodging facilities for any person unrelated to us or the TRS lessee; (ii) such person does not own, directly or indirectly, more than 35% of our stock; and (iii) not more than 35% of such person is owned, directly or indirectly, by one or more persons owning 35% or more of our stock. For purposes of determining whether these ownership limits are satisfied, actual ownership as well as constructive ownership under the rules of Section 318 of the Code (with certain modifications) is taken into account. For example, (a) interests owned by a partnership are also treated as owned proportionately by its partners, (b) interests held by a partner with a 25% or greater share of partnership capital interests or profits interests are also treated as owned by the partnership, (c) interests held by a 10% or greater stockholder are also treated as held by the corporation, and (d) interests held by a corporation are also treated as held by a 10% or greater stockholder (in the proportion that such stockholder's stock bears to all the stock of the corporation). However, if any class of our stock or the stock of a person attempting to qualify as an eligible independent contractor is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5% of such class of stock shall be taken into account as owning any of the stock of such class for purposes of applying the 35% limitation described in clause (iii) above. In addition, the IRS has ruled to the effect that an advisor or similar fiduciary to a REIT cannot also qualify as an eligible independent contractor with respect to the REIT.

Each TRS lessee (and any other of our TRSs that owns an interest in our hotel properties) has hired (or will hire) a hotel management company that we believe qualifies as an eligible independent contractor to manage and operate the hotels leased by (or owned through) the TRS. Marriott intends to qualify as an eligible independent contractor. In that regard, constructive ownership under Section 318 of the Code resulting, for example, from relationships between Marriott and our other shareholders could impact Marriott's ability to satisfy the applicable ownership limit. Because of the broad scope of the attribution rules of Section 318 of the Code, it is possible that not all prohibited relationships will be identified and avoided. The existence of such a relationship would disqualify Marriott (or another hotel management company) as an eligible independent contractor, which would in turn disqualify us as a REIT. Our charter restricts ownership and transfer of our shares in a manner intended to facilitate continuous qualification of Marriott (or another hotel management company) as an eligible independent contractor, but no assurances can be given that such transfer and ownership restrictions will ensure that Marriott (or another hotel management company) will, in fact, be an eligible independent contractor. As noted above, Goodwin Procter LLP's opinion as to REIT qualification will be based upon our representations and covenants as to the absence of such relationships. Marriott's failure to qualify as an eligible independent contractor will not give us the right to terminate the management agreement.

Taxation of U.S. Stockholders Holding Common Stock

The term "U.S. stockholder" means an investor that, for U. S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership, or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. In addition, as used herein, the term U.S. stockholder does not include any entity that is subject to special treatment under the Code.

Distributions by us, other than capital gain dividends, will constitute ordinary dividends to the extent of our current or accumulated earnings and profits as determined for federal income tax purposes. In general, these dividends will be taxable as ordinary income and will not be eligible for the dividends-received deduction for corporate stockholders. Our ordinary dividends generally will not qualify as "qualified dividend income" treated as net capital gain for U.S. stockholders that are individuals, trusts, or estates. However, distributions to U.S. stockholders that are individuals, trusts, or estates generally will constitute qualified dividend income taxed as net capital gains to the extent they are attributable to (i) qualified dividend income we receive from other corporations, such as our TRS lessees and other TRSs, and (ii) dividends paid from our undistributed earnings or from built-in gains taxed at the corporate level and provided we properly designate the distributions as such. We do not anticipate distributing a significant amount of qualified dividend income.

To the extent that we make a distribution in excess of our current and accumulated earnings and profits (a "return of capital distribution"), the distribution will be treated first as a tax-free return of capital, reducing the tax basis in a U.S. stockholder's shares. To the extent a return of capital distribution exceeds a U.S. stockholder's tax basis in its shares, the distribution will be taxable as capital gain realized from the sale of such shares.

Dividends declared by us in October, November, or December and payable to a stockholder of record on a specified date in any such month shall be treated both as paid by us and as received by the stockholder on

December 31 of the year, provided that the dividend is actually paid by us during January of the following calendar year.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed in "—Taxation of the Company" above. Moreover, any deficiency dividend will be treated as an ordinary or a capital gain dividend, as the case may be, regardless of our earnings and profits. As a result, stockholders may be required to treat certain distributions as taxable dividends that would otherwise result in a tax-free return of capital.

Capital Gain Dividends

Distributions that are properly designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which the stockholder has held its shares. However, corporate stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. In addition, U.S. stockholders may be required to treat a portion of any capital gain dividend as "unrecaptured Section 1250 gain," taxable at a maximum rate of 25%, if we incur such gain. Capital gain dividends are not eligible for the dividends-received deduction for corporations.

As noted above, the REIT provisions do not require us to distribute our long-term capital gain, and we may elect to retain and pay income tax on our net long-term capital gains received during the taxable year. If we so elect for a taxable year, our stockholders would include in income as long-term capital gains their proportionate share of such portion of our undistributed long-term capital gains for the taxable year as we may designate. A stockholder would be deemed to have paid its share of the tax paid by us on such undistributed capital gains, which would be credited or refunded to the stockholder. The stockholder's basis in its shares would be increased by the amount of undistributed long-term capital gains (less the capital gains tax paid by us) included in the stockholder's long-term capital gains.

Passive Activity Loss and Investment Interest Limitations

Our distributions and gain from the disposition of shares will not be treated as passive activity income and, therefore, U.S. stockholders will not be able to apply any "passive losses" against such income. With respect to non-corporate U. S. stockholders, our dividends (to the extent they do not constitute a return of capital) that are taxed at ordinary income rates will generally be treated as investment income for purposes of the investment interest limitation; however, net capital gain from the disposition of shares (or distributions treated as such), capital gain dividends, and dividends taxed at net capital gains rates generally will be excluded from investment income except to the extent the U.S. stockholder elects to treat such amounts as ordinary income for federal income tax purposes. U.S. stockholders may not include on their own federal income tax returns any of our tax losses.

Sale or Disposition of Shares

In general, any gain or loss realized upon a taxable disposition of shares of our common stock by a stockholder that is not a dealer in securities will be a long-term capital gain or loss if the shares have been held for more than one year and otherwise as a short-term capital gain or loss. However, any loss upon a sale or exchange of the shares by a stockholder who has held such stock for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss to the extent of our distributions or undistributed capital gains required to be treated by such stockholder as long-term capital gain. All or a portion of any loss realized upon a taxable disposition of shares may be disallowed if other shares are purchased within 30 days before or after the disposition.

Unrelated Business Taxable Income

In General

In general, a tax-exempt organization is exempt from federal income tax on its income, except to the extent of its "unrelated business taxable income" ("UBTI"), which is defined by the Code as the gross income derived from any trade or business which is regularly carried on by a tax-exempt entity and unrelated to its exempt purposes, less any directly connected deductions and subject to certain modifications. For this purpose, the Code generally excludes from UBTI any gain or loss from the sale or other disposition of property (other than stock in trade or property held primarily for sale in the ordinary course of a trade or business), dividends, interest, rents from real property, and certain other items. However, a portion of any such gains, dividends, interest, rents, and other items generally are UBTI if derived from debt-financed property, based on the amount of "acquisition indebtedness" with respect to such debt-financed property. ***Before making an investment in shares of our common stock, a tax-exempt stockholder should consult its own tax advisors with regard to UBTI and the suitability of the investment in our stock.***

Distributions we make to a tax-exempt employee pension trust or other domestic tax-exempt stockholder or gains from our shares held as capital assets generally will not constitute UBTI unless the exempt organization's shares are debt-financed property (e.g., the stockholder has borrowed to acquire or carry its shares). This general rule does not apply, however, to distributions to certain pension trusts that are qualified trusts (as defined below) and that hold more than 10% (by value) of our stock. For these purposes, a qualified trust is defined as any trust described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code. If we are treated as a "pension-held REIT," such qualified trusts will be required to treat a percentage of their dividends received from us as UBTI if we incur UBTI. We will be treated as a pension-held REIT if (i) we would fail the 5/50 Test if qualified trusts were treated as "individuals" for purposes of the 5/50 Test and (ii) we are "predominantly held" by qualified trusts. See "—Qualification as a REIT—Ownership Tests." We will be "predominantly held" by qualified trusts if either (i) a single qualified trust holds more than 25% by value of our stock or (ii) one or more qualified trusts, each owning more than 10% by value of our stock, hold in the aggregate more than 50% by value of our stock. The percentage of any dividend received from us treated as UBTI would be equal to the ratio of (a) the gross UBTI (less certain associated expenses) earned by us (treating us as if we were a qualified trust and, therefore, subject to tax on UBTI) to (b) our total gross income (less certain associated expenses). A de minimis exception applies where the ratio set forth in the preceding sentence is less than 5% for any year; in that case, no dividends are treated as UBTI.

In the event we are a pension held REIT, a qualified trust owning 10% or more of our shares should expect to recognize UBTI as a result of its investment. Although our charter provides restrictions on ownership and transfer of our stock that we believe will reduce the likelihood of us being a pension held REIT, these restrictions may not in all circumstances prevent us from being treated as a pension held REIT and we cannot assure you that we will never be treated as a pension held REIT.

Special Issues

Social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under paragraphs (7), (9), (17), and (20), respectively, of Section 501(c) of the Code are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

Information Reporting Requirements and Backup Withholding Tax

We will report to our U.S. stockholders and to the IRS the amount of distributions paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a U.S. stockholder may be subject to backup withholding at the rate of 28% with respect to distributions paid, unless such stockholder (i) is a corporation or other exempt entity and, when required, proves its status or (ii) certifies under penalties of perjury that the taxpayer identification number the stockholder has furnished to us is correct and the stockholder is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability.

Taxation of Non-U.S. Stockholders Holding Common Stock

The rules governing U.S. federal income taxation of our stockholders who are beneficial owners of our common stock and who are not U.S. stockholders, such as nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign stockholders ("non-U.S. stockholders"), are complex. This section is only a summary of such rules. ***We urge prospective non-U.S. stockholders to consult their own tax advisors to determine the impact of federal, state, local, and foreign income tax laws on ownership of the common stock, including any reporting requirements.***

Distributions

A non-U.S. stockholder that receives a distribution that is not attributable to gain from our sale or exchange of "United States real property interests" (as defined below) and that we do not designate as a capital gain dividend or retained capital gain generally will recognize ordinary income to the extent that we pay the distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply unless an applicable tax treaty reduces or eliminates the tax. Under some treaties, lower withholding rates do not apply to dividends from REITs. However, if a distribution is treated as effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to federal income tax on the distribution at graduated rates (in the same manner as U.S. stockholders are taxed on distributions) and also may be subject to the 30% branch profits tax in the case of a corporate non-U.S. stockholder. We plan to withhold U.S. income tax at the rate of 30% on the gross amount of any distribution paid to a non-U.S. stockholder that is not a capital gain dividend or distribution that is not attributable to gain from the sale or exchange of "United States real property interests" unless either (i) a lower treaty rate applies and the non-U.S. stockholder files with us any required IRS Form W-8 (for example, an IRS Form W-8BEN) evidencing eligibility for that reduced rate or (ii) the non-U.S. stockholder files with us an IRS Form W-8ECI claiming that the distribution is effectively connected income.

A non-U.S. stockholder generally will not incur tax on a return of capital distribution in excess of our current and accumulated earnings and profits that is not attributable to the gain from our disposition of a "United States real property" interest if the excess portion of the distribution does not exceed the adjusted basis of the non-U.S. stockholder's common stock. Instead, the excess portion of the distribution will reduce the adjusted basis of that common stock. However, a non-U.S. stockholder will be subject to tax on such a distribution that exceeds both our current and accumulated earnings and profits and the non-U.S. stockholder's adjusted basis in the common stock, if the non-U.S. stockholder otherwise would be subject to tax on gain from the sale or disposition of its common stock, as described below. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. However, a non-U.S. stockholder may obtain a refund of amounts that we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

We may be required to withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution that is neither attributable to the gain from our disposition of a "United States real property interest" nor designated by us as a capital gain dividend, to the extent that we do not do so, we will withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%.

Subject to the exception discussed below for 5% or smaller holders of regularly traded classes of stocks, a non-U.S. stockholder will incur tax on distributions that are attributable to gain from our sale or exchange of "United States real property interests" under special provisions of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA. The term "United States real property interests" includes interests in U.S. real property and shares in U.S. corporations at least 50% of whose assets consist of interests in U.S. real property. Under those rules, a non-U.S. stockholder is taxed on distributions attributable to gain from sales of United States real property interests as if the gain were effectively connected with the non-U.S. stockholder's conduct of a U.S.

trade or business. A non-U.S. stockholder thus would be taxed on such a distribution at the normal capital gain rates applicable to U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A corporate non-U.S. stockholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. We generally must withhold 35% of any distribution subject to these rules that we could designate as a capital gain distribution ("35% FIRPTA Withholding"). A non-U.S. stockholder may receive a credit against its tax liability for the amount we withhold.

A non-U.S. stockholder that owns no more than 5% of our common stock at all times during a taxable year will not be subject to 35% FIRPTA Withholding with respect to distributions that are attributable to gain from our sale or exchange of U.S. real property interests, provided that our common stock is regularly traded on an established securities market. Instead, any distributions made to such non-U.S. stockholder will be subject to the general withholding rules discussed above in "—Taxation of Non-U.S. Stockholders Holding Common Stock," which generally impose a withholding tax equal to 30% of the gross amount of each distribution (unless reduced by treaty).

Dispositions

If the gain on the sale of the common stock were taxed under FIRPTA, a non-U.S. stockholder would be taxed on that gain in the same manner as U.S. stockholders with respect to that gain, subject to applicable alternative minimum tax, and a special alternative minimum tax in the case of nonresident alien individuals. A non-U.S. stockholder generally will not incur tax under FIRPTA on a sale or other disposition of our stock if we are a "domestically-controlled qualified investment entity," which means that, during the shorter of the period since our formation and the five-year period ending on the date of the distribution or dispositions, non-U.S. stockholders hold, directly or indirectly, less than 50% in value of our stock. We cannot assure you that we will be a domestically-controlled qualified investment entity. However, the gain from a sale of our common stock by a non-U.S. stockholder will not be subject to tax under FIRPTA if (i) our common stock is considered regularly traded under applicable Treasury Regulations on an established securities market, such as the New York Stock Exchange, and (ii) the non-U.S. stockholder owned, actually or constructively, 5% or less of our common stock at all times during a specified testing period. Accordingly, a non-U.S. stockholder should not incur tax under FIRPTA with respect to gain on a sale of our common stock unless it owns, actually or constructively, more than 5% of our common stock provided that a our common stock continues to be regularly traded on an established securities market. Furthermore, a non-U.S. stockholder generally will incur tax on gain not subject to FIRPTA if (i) the gain is effectively connected with the non-U.S. stockholder's U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, or (ii) the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. stockholder will incur a 30% tax on his or her capital gains.

Purchasers of our stock from a non-U.S. stockholder generally will be required to withhold and remit to the IRS 10% of the purchase price unless at the time of purchase (i) any class of our stock is regularly traded on an established securities market (subject to certain limits if the shares sold are not themselves part of such a regularly traded class) or (ii) we are a domestically controlled qualified investment entity. The non-U.S. stockholder may receive a credit against its tax liability for the amount withheld.

State, Local, and Foreign Tax

We may be subject to state, local and foreign tax in states, localities and foreign countries in which we do business or own property. The tax treatment applicable to us and our stockholders in such jurisdictions may differ from the federal income tax treatment described above.

Prospective stockholders should consult their own tax advisers for further information about federal, state, local, and other tax consequences of investing in our common stock.

ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in us by a pension, profit sharing or other employee benefit plan, subject to Title I of ERISA or Section 4975 of the Code, that we refer to as "ERISA Plans." A fiduciary considering investing assets of an ERISA Plan in shares of our common stock should take into account the factors described in this prospectus, including those that are described below, and also should consult its legal advisor about ERISA, fiduciary and other considerations before making such an investment.

A regulation promulgated under ERISA by the United States Department of Labor, or the "Plan Assets Regulation," generally provides that when an ERISA Plan makes an equity investment in another entity, the underlying assets of the entity will not be considered "plan assets" of the ERISA Plan if, among other provisions not summarized here, the equity interest is a "publicly-offered security" or if it is established that equity participation in the entity by "benefit plan investors," as described in the Plan Assets Regulation, is not "significant." For this purpose, equity participation by benefit plan investors is not significant if their aggregate interest is less than 25% of the value of each class of equity securities in the entity, disregarding, for purposes of such determination, certain interests enumerated in the Plan Assets Regulation.

Historically, we have not treated the requirements of Subtitle A and Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code as applying to investments in us because our charter provides that until such time as any class of our equity securities becomes "publicly traded" for purposes of the Plan Assets Regulation, equity participation in any class of equity securities by benefit plan investors will be limited to less than 25% of the value of such class, disregarding for such purposes certain interests enumerated in the Plan Assets Regulation.

Further, subject to the following, we believe that after this offering, our common stock should qualify as a "publicly-offered security" under the Plan Assets Regulation. Under the Plan Assets Regulation, a security is a "publicly-offered security" if it is freely transferable, part of a class of securities that is widely held, and either (i) part of a class of securities registered under section 12(b) or 12(g) of the Securities Exchange Act of 1934 or (ii) sold to an ERISA Plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and the class of securities of which that security is a part is registered under the Securities Exchange Act of 1934 within 120 days (or such later time as may be allowed by the Securities and Exchange Commission) after the end of the fiscal year of the issuer during which this offering of those securities to the public occurred. "Widely-held" for this purpose means the security is of a class owned by 100 or more investors independent of the issuer and of one another. "Freely transferable," again for purposes of the Plan Assets Regulation, is a question to be determined on the basis of all relevant facts and circumstances but, where the minimum investment is $10,000 or less, is ordinarily not adversely affected by some enumerated restrictions including restrictions against any transfer that would result in a termination or reclassification of the issuer for Federal tax purposes.

While there are restrictions imposed on the transfer of shares of our common stock, we believe they are the type of restrictions on transfer generally permitted under the Plan Assets Regulation or are not otherwise material and should not result in the failure of our stock to be "freely transferable" within the meaning of the Plan Assets Regulation. We also believe that certain restrictions on transfer that derive from the securities laws and from contractual arrangements with the underwriters in connection with this offering should not result in the failure of our common stock to be "freely transferable."

Assuming that our stock is "widely held" within the meaning of the Plan Assets Regulation and that no facts and circumstances other than those referred to in the preceding paragraph exist that restrict transferability of our common stock, we believe that, under the Plan Assets Regulation, our common stock should be considered "publicly-offered securities" after this offering, and, therefore, that our underlying assets should not be deemed to be plan assets of any ERISA Plan investors that choose to invest in us.

If our assets were deemed to be plan assets of ERISA Plans that were invested in us, this would result, among other things, in (i) the application of the prudence and other fiduciary standards of ERISA, (ii) potential liability of persons having investment discretion over the assets of the ERISA Plans investing in us, and (iii) the possibility that certain transactions that we might enter into in the ordinary course of our business and operation might constitute “prohibited transactions” under ERISA and the Code. A prohibited transaction, in addition to imposing potential personal liability upon fiduciaries of the ERISA Plans, may also result in the imposition of an excise tax under the Code and correction or unwinding of the transaction.

UNDERWRITING

Friedman, Billings, Ramsey & Co., Inc. is acting as representative of the underwriters of this offering. Subject to the terms and conditions in the underwriting agreement entered into in connection with the sale of our common stock described in this prospectus, the underwriters named below have severally agreed to purchase the number of shares of common stock set forth opposite their respective names.

Underwriter	Number of Shares of Common Stock
Friedman, Billings, Ramsey & Co., Inc.	
Total:	

The underwriting agreement provides that the obligations of the underwriters to purchase and accept delivery of the shares of common stock offered by this prospectus are subject to approval by their counsel of legal matters and to other conditions contained in the underwriting agreement including, among other items, the receipt of legal opinions from counsel, the receipt of comfort letters from our current auditors, the absence of any material adverse changes affecting us or our business and the absence of any objections from the National Association of Securities Dealers Inc. with respect to the fairness and reasonableness of the underwriting terms. The underwriters are obligated to purchase and accept delivery of all of the shares of common stock offered by this prospectus, other than those covered by the over-allotment option described below, if any shares are taken. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or, in the event that the purchase commitments of the defaulting underwriters represent more than 10% of the total number shares of common stock offered by this prospectus, the underwriting agreement may be terminated.

The underwriters propose to offer the shares of common stock directly to the public at the public offering price indicated on the cover page of this prospectus and to various dealers at that price less a concession not to exceed $ per share, of which $ may be reallowed to other dealers. After this offering, the public offering price, concession and reallowance to dealers may be reduced by the underwriters. No reduction shall change the amount of proceeds to be received by us as indicated on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this prospectus, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase from time to time up to an aggregate of additional shares of our common stock to cover over-allotments, if any, at the public offering price less the underwriting discount. If the underwriters exercise their over-allotment option to purchase any of the additional shares of common stock, each underwriter, subject to certain conditions, will become obligated to purchase these additional shares based on the underwriters' percentage purchase commitment in the offering as indicated in the table above. If purchased, these additional shares will be sold by the underwriters on the same terms as those on which the shares offered by this prospectus are being sold. The underwriters may exercise the over-allotment option to cover over-allotments made in connection with the sale of the shares of common stock offered in this offering.

Each underwriter has represented, warranted and agreed that:

- it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any shares included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, or FSMA, received by it in connection with the issue or sale of any shares included in this offering in circumstances in which section 21(1) of the FSMA does not apply to us;
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares included in this offering in, from or otherwise involving the United Kingdom;
- in order to comply with the Netherlands Securities Market Supervision Act 1995 *(Wet toezicht effectenverkeer 1995),* the shares included in this offering shall only be offered in The Netherlands, as part of their initial distribution or by way of reoffering, to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (as referred to in article 2 of the "Vrijstellingsregeling Wet Toezicht Effectenverkeer 1995" (Wte Regulation No. BGW95/2982-M); hereinafter, "Professional Investors"), provided that it must be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such shares is publicly announced (whether electronically or otherwise) that such offer is exclusively made to such Professional Investors;
- the shares included in the offering may not be offered, sold or distributed in Spain except in accordance with the requirements of Law 24/1988, of 28 July, on the Securities Market *(Ley 24/1988, de 28 de julio, del Mercado de Valores),* as amended and restated, and Royal Decree 291/1992, of 27 March, on Issues and Public Offerings of Securities *(Real Decreto 291/1992, de 27 de marzo, sobre Emisiones y Ofertas Públicas de Venta de Valores),* as amended and restated, and the decrees and regulations made thereunder. Accordingly, the shares included in this offering may not be offered, sold or distributed in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of Spanish securities laws and regulations or without complying with all legal and regulatory requirements in relation thereto;
- this prospectus has not been verified or registered with the Spanish Securities Market Commission *(Comisión Nacional del Mercado de Valores),* and therefore it is not intended for any public offer of the shares in Spain;
- this prospectus has not been submitted to the registration procedures of the French *Autorité des Marchés Financiers* and, accordingly, the shares included in this offering may not be offered or sold to the public in France. Offers and sales of the shares included in this offering in France may be made only to qualified investors *(investisseurs qualifiés)* in accordance with Article L.411-2 of the French Code *monétaire et financier* and decree no. 98-880 dated 1 October 1998. This prospectus or any other offering materials relating to the shares included in the offering may not be distributed in France to any person other than a qualified investor as defined therein;
- no German sales prospectus *(Verkaufsprospekt)* within the meaning of the Securities Sales Prospectus Act *(Wertpapier-Verkaufsprospektgesetz,* the "German Act") of the Federal Republic of Germany has been or will be published with respect to the shares included in the offering. Each underwriter will comply with the German Act and all other applicable legal and regulatory requirements. In particular, each of the underwriters has not engaged and will not engage in a public offering *(öffentliches Angebot)* within the meaning of the German Act with respect to any of the shares included in the offering otherwise than in accordance with the German Act;

- this prospectus may only be used by those persons to whom it has been handed out in connection with the offer described herein. The shares included in the offering are not offered to the public in Switzerland. This prospectus constitutes neither a public offer in Switzerland nor a prospectus in accordance with the respective Swiss legislation. Accordingly, this prospectus may not be used in connection with any other offer and shall in particular not be distributed to the public in Switzerland; and
- it has undertaken that it will comply with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers the shares of common stock offered hereby or possesses or distributes this prospectus or any other offering material and will obtain any consent, approval or permission which is required by it for the purchase, offer or sale by it of shares of common stock under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales in all cases at its own expense.

We have agreed to reimburse the underwriters for certain expenses in connection with this offering. The following table summarizes the underwriting compensation to be paid to the underwriters by us and the selling stockholders. These amounts assume both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

	Without Over-Allotment	With Over-Allotment
By us:		
Per share:		
Total:		
By the selling stockholders:		
Per share:		
Total:		

We estimate that the total expenses payable by us in connection with this offering, other than the items referred to above, will be approximately $.

We and the selling stockholders have agreed to indemnify the underwriters against various liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities. The underwriters have informed us that they do not intend to confirm sales to any accounts over which they exercise discretionary authority.

We will apply to list our common stock on the New York Stock Exchange upon the completion of this offering under the symbol "DRH." In connection with the listing of our common stock on the New York Stock Exchange, the underwriters will undertake to sell round lots of 100 shares or more to a minimum of 2,000 beneficial owners.

Prior to this offering, there has been no public market for our common stock, other than limited trading on the Portal Market. The initial public offering price has been determined through negotiations between the underwriters and us. Among the factors considered in such determination were:

- prevailing market conditions;
- dividend yields and financial characteristics of publicly traded REITs that we and the underwriters believe to be comparable to us;
- our financial condition and past and present operating performance;
- the present state of our business operations;
- our management;

- estimates of our business and earnings potential; and
- the economic conditions in and the prospects for the industry in which we operate.

We cannot assure you, however, that the prices at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our common stock will develop and continue after this offering.

Each of our executive officers and directors has agreed, subject to specified exceptions, not to: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of common stock or any securities convertible into or exchangeable or exercisable for common stock or make any demand for or exercise any right with respect to the registration of the foregoing under the Securities Act, or (ii) establish or increase any “put equivalent position” or liquidate or decrease any “call equivalent position” or otherwise enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the common stock, whether any such swap or transaction is to be settled by delivery of common stock or other securities, in cash or otherwise for a period of 180 days after the date of this prospectus without the prior written consent of Friedman, Billings, Ramsey & Co., Inc. This restriction terminates after the close of trading of the common stock on and including the 180th day after the date of this prospectus.

In addition, subject to certain exceptions, we have agreed that, for 180 days after the date of this prospectus, we will not, without the prior written consent of Friedman, Billings, Ramsey & Co., Inc., offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option for the sale of, establish or increase any open “put equivalent option” or liquidate or decrease any “call equivalent option” or otherwise dispose of or transfer any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock or file any registration statement under the Securities Act relating to any such shares or enter into any swap or any other agreement or any transaction that transfers the economic consequence of ownership of common stock, other than our sale of shares in this offering, the issuance of shares of common stock under our 2004 Stock Option and Equity Incentive Plan as described in this prospectus or the issuance of our common stock or securities convertible into or exchangeable for shares of our common stock in connection with acquisitions of real property or other investments. The lockup provisions do not prohibit us from filing a resale registration statement to register the shares issued in our July 2004 private placement.

Our stockholders other than our executive officers and directors may not sell or otherwise dispose of any of the shares of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus and are not selling in this offering until 60 days after the date of this prospectus, subject to limited exceptions.

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- stabilizing transactions;
- short sales;
- syndicate covering transactions;
- imposition of penalty bids; and
- purchases to cover positions created by short sales.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Stabilizing transactions may include making short sales of our common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing common stock from us or in the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the underwriters’ over-allotment option referred to above, or may be “naked” shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares pursuant to the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters also may impose a penalty bid on underwriters and selling group members. This means that if the underwriters purchase shares in the open market in stabilizing transactions or to cover short sales, the underwriters can require the selling group members that sold those shares as part of this offering to repay the selling concession received by them.

As a result of these activities the price of our common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriters do not expect sales to accounts over which they exercise discretionary authority to exceed 5% of the total number of shares of common stock offered by this prospectus.

At our request, the underwriters have reserved up to % of the common stock being offered by this prospectus for sale to our directors, employees, business associates and related persons at the public offering price. The sales will be made by Friedman, Billings, Ramsey & Co., Inc. through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. Any directors, employees or other persons purchasing such reserved shares will be prohibited from disposing of or hedging such shares for a period of at least 180 days after the date of this prospectus. The common stock issued in connection with the directed share program will be issued as part of the underwritten public offering.

Friedman, Billings, Ramsey & Co., Inc. will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Friedman, Billings, Ramsey & Co., Inc. intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet website maintained by Friedman, Billings, Ramsey & Co., Inc. Other than the prospectus in electronic format, the information on the Friedman, Billings, Ramsey & Co., Inc. website is not part of this prospectus.

A prospectus in electronic format may be made available on the Internet sites of or through other online services maintained by one or more of the other underwriters participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online, and, depending upon the particular underwriter, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter in its capacity as underwriter and should not be relied upon by investors. In addition, one or more of the underwriters participating in the offering may distribute prospectuses electronically.

In addition to the items of compensation to be paid to the underwriters in connection with this offering, until July 7, 2005, we have granted to Friedman, Billings, Ramsey & Co., Inc. a right of first refusal to act as joint book runner in connection with any public or private offerings in our equity securities and as co-manager in connection with any public or private offering of corporate debt securities or other capital markets financing in which we may engage.

We are negotiating with a number of financial institutions to obtain a secured revolving line of credit. We may enter into this facility with one or more of the underwriters and/or their affiliates. In the event that we enter into the secured revolving credit facility, we expect that these underwriters and/or their affiliates will receive customary fees, interest payments and expense reimbursement.

The underwriters and their affiliates may from time to time engage in future transactions with us and our affiliates and provide services to us and our affiliates in the ordinary course of their business.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Goodwin Procter LLP, Boston, Massachusetts. Certain partners of Goodwin Procter LLP together own approximately 13,000 shares of DiamondRock Hospitality Company's common stock purchased in our July 2004 private placement. Certain legal matters in connection with this offering will be passed upon for the underwriters by Hunton & Williams LLP.

EXPERTS

The consolidated financial statements and schedule of DiamondRock Hospitality Company as of December 31, 2004 and for the period from May 6, 2004 to December 31, 2004, the financial statements of Sonoma LLC as of October 8, 2004 and January 2, 2004, and for the periods from April 23, 2004 to October 8, 2004 and January 3, 2004 to April 23, 2004, and each of the fiscal years ended January 2, 2004 and January 3, 2003, the financial statements of the Courtyard by Marriott Midtown East as of October 8, 2004 and January 2, 2004, for the period from January 3, 2004 to October 8, 2004 and for the fiscal years ended January 2, 2004 and January 3, 2003, the financial statements of the Rock Spring Park Hotel Limited Partnership as of October 8, 2004 and January 2, 2004, for the period from January 3, 2004 to October 8, 2004 and for the fiscal years ended January 2, 2004 and January 3, 2003, the financial statements of the Marriott Salt Lake City Downtown as of October 8, 2004 and January 2, 2004, for the period from January 3, 2004 to October 8, 2004 and for the fiscal years ended January 2, 2004 and January 3, 2003, the financial statements of the Torrance Marriott as of October 8, 2004 and January 2, 2004, for the period from January 3, 2004 to October 8, 2004 and for the fiscal years ended January 2, 2004 and January 3, 2003, the financial statements of Fifth Avenue Associates LLC for the period from January 1, 2004 to September 30, 2004 and for the years ended December 31, 2003 and 2002, the financial statements of the Marriott Griffin Gate Resort for the period from January 4, 2003 to June 25, 2003 and the fiscal year ended January 3, 2003 and the financial statements for MI Griffin Gate Hotel, LLC for the periods from January 3, 2004 to October 8, 2004 and June 26, 2004 to January 2, 2004, have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-11, including exhibits, schedules and amendments filed with this registration statement, under the Securities Act with respect to the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of our common stock to be sold in this offering, reference is made to the registration statement, including the exhibits to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract is an exhibit to the registration statement, each statement is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the Securities and Exchange Commission, 450 Fifth Street, N.W. Room 1024, Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the Securities and Exchange Commission upon payment of prescribed fees. Our Securities and Exchange Commission filings, including our registration statement, are also available to you on the Securities and Exchange Commission's website, www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the securities exchange act of 1934, as amended, and will file annual, quarterly and other periodic reports and proxy statements and will make available to our stockholders quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

REPORTS TO STOCKHOLDERS

Following this offering, we will file periodic and annual reports with the Securities and Exchange Commission as required by the Securities and Exchange Commission's rules and regulations. In addition, our annual proxy statement will be mailed to our stockholders accompanied or preceded by an annual report which meets the requirements of the Securities and Exchange Commission's rules and regulations no later than 120 days following the end of our fiscal year. Our periodic quarterly reports will be filed with the Securities and Exchange Commission within 45 days following the end of the quarter, unless a shorter period is required by the rules and regulations of the Securities and Exchange Commission. Our annual reports will contain consolidated financial statements audited by our independent certified public accountants.

D IAMONDROCK HOSPITALITY COMPANY

INDEX TO FINANCIAL STATEMENTS

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Company's historical financial information as of December 31, 2004 and the period from May 6, 2004 (inception) to December 31, 2004 has been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The following unaudited pro forma financial data gives effect to the acquisition of our initial hotels and related mortgage debt and the sources and uses of the proceeds of the offering. The unaudited pro forma consolidated balance sheet data is presented as if these transactions had occurred as of December 31, 2004 and the unaudited pro forma consolidated statement of operations and other data for the year ended December 31, 2004 is presented as if these transactions had occurred on the first day of the period presented.

The unaudited pro forma financial information and related notes are presented for informational purposes only and do not purport to represent what our financial position or results of operations would actually have been if the transactions had in fact occurred on the dates discussed above. They also do not project or forecast our combined financial position or results of operations for any future date or period.

The unaudited pro forma financial information should be read together with our historical financial statements and related notes included elsewhere in this prospectus and with the information set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The pro forma adjustments are based on available information and upon assumptions that we believe are reasonable. However, we cannot assure you that actual results will not differ from the pro forma information and perhaps in material and adverse ways.

DIAMONDROCK HOSPITALITY COMPANY

Pro Forma Consolidated Balance Sheet
December 31, 2004

	Historical	A Torrance	B Debt Repayment	C The Offering	Pro Forma
ASSETS					
Property and equipment, net	$ 285,642,439	$ 62,153,996	—	—	$ 347,796,435
Deferred financing costs, net	1,344,378	645,872	—	—	1,990,250
Restricted cash	17,482,515	10,000,000	—	—	27,482,515
Due from hotel managers	2,626,262	1,419,749	—	—	4,046,011
Purchase deposits and pre-acquisition costs	3,272,219	(3,272,219)	—	—	—
Prepaids and other assets	4,340,259	12,076	—	—	4,352,335
Cash and cash equivalents	76,983,107	(25,387,461)	—	—	51,595,646
Total assets	$ 391,691,179	$ 45,572,013	—	—	$ 437,263,192
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities:					
Mortgage debt, at face amount	$ 177,827,573	$ 44,000,000	—	—	$ 221,827,573
Debt premium	2,944,237	—			2,944,237
Total debt	180,771,810	44,000,000	—	—	224,771,810
Deferred income related to key money	2,490,385	—	—	—	2,490,385
Unfavorable lease liability	5,776,946	—	—	—	5,776,946
Due to hotel managers	3,985,795	1,572,013	—	—	5,557,808
Accounts payable and accrued liabilities	3,078,825	—	—	—	3,078,825
Total other liabilities	15,331,951	1,572,013	—	—	16,903,964
Shareholders' Equity:					
Common stock	210,201	—	—	—	210,201
Additional paid-in capital	197,494,842	—	—	—	197,494,842
Accumulated deficit	(2,117,625)	—	—	—	(2,117,625)
Total shareholders' equity	195,587,418	—	—	—	195,587,418
Total liabilities and shareholders' equity	$ 391,691,179	$ 45,572,013	—	—	$ 437,263,192

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of December 31, 2004

The accompanying unaudited Pro Forma Consolidated Balance Sheet as of December 31, 2004 is based on the Historical Consolidated Balance Sheet as of December 31, 2004, adjusted to reflect the initial public offering of common stock by the Company, the acquisition of the Torrance Marriott and the application of the net proceeds as described in "Use of Proceeds."

- The unaudited Pro Forma Consolidated Balance Sheet as of December 31, 2004 assumes that the following occurred on December 31, 2004:
  - Initial public offering of shares of common stock of the Company at $ per share, the mid-point of the assumed offering range, with approximately $ of net proceeds to the Company. Net proceeds will be contributed to a subsidiary of the Company, DiamondRock Hospitality Limited Partnership (the "Operating Partnership"). In return the Company will receive units of partnership interest in the Operating Partnership.
  - The acquisition of the Torrance Marriott.
  - Repayment of approximately $ of mortgage debt related to , $ of mortgage debt related to and $ of mortgage debt related to .

In the opinion of the Company's management, all material adjustments to reflect the effects of the preceding transactions have been made. The accompanying unaudited Pro Forma Consolidated Balance Sheet as of December 31, 2004 is presented for illustrative purposes only and is not necessarily indicative of what the actual financial position would have been had the offering, the acquisition of the Torrance Marriott and the other transactions described above occurred as of December 31, 2004 nor does it purport to represent the future financial position of the Company.

Notes and Management Assumptions:

A Represents the adjustment to record the acquisition accounting and mortgage financing obtained by the Company in conjunction with the acquisition of the Torrance Marriott as follows:

- Record property and equipment at fair value of $62,153,996
- Record reduction of deposit and pre-acquisition costs of $3,272,219
- Record due from hotel managers of $1,419,749
- Record deferred financing costs incurred of $645,872
- Record cash paid into the various escrow accounts of $10,000,000
- Reduce cash paid for the acquisition of $25,387,461
- Record due to hotel managers of $1,572,013
- Record mortgage debt of $44,000,000
- Record prepaid interest of $12,076

B Represents the adjustment to record the repayment of approximately $ of mortgage debt related to , $ of mortgage debt related to and $ of mortgage debt related to with proceeds from the offering.

C Represents the adjustments to record the issuance of shares of common stock at $ per share, the mid-point of the assumed offering range, with approximately $ of net proceeds to the Company after deduction of $ of offering costs.

DIAMONDROCK HOSPITALITY COMPANY

Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2004

		D	D	D	D	D	D	D	E	F	G	H	I	
	Historical	**Sonoma**	**Griffin Gate**	**Courtyard Midtown East**	**Bethesda Suites**	**Torrance**	**Salt Lake City**	**Courtyard Fifth Avenue**	**Depreciation**	**Corporate Expenses**	**TRS Income Taxes**	**Mortgage Debt Interest Expense**	**Repaid Mortgage Debt Interest Expense**	**Pro Forma**
REVENUES														
Rooms	$ 5,137,370	$ 7,002,446	$ 10,995,570	$ 17,051,490	$ 11,055,446	$13,678,423	$ 14,151,990	$ 8,412,355	$—	$—	$—	$—	$ —	$ 87,485,090
Food and beverage	1,507,960	3,921,515	9,264,203	669,226	3,576,812	6,142,449	5,650,249	—	—	—	—	—	—	30,732,414
Other	428,534	1,473,537	2,027,388	242,799	318,588	743,153	1,559,659	340,167	—	—	—	—	—	7,133,825
Total revenues	7,073,864	12,397,498	22,287,161	17,963,515	14,950,846	20,564,025	21,361,898	8,752,522	—	—	—	—	—	125,351,329
EXPENSES														
Rooms	1,455,380	1,764,656	2,519,911	4,419,874	2,634,710	3,410,247	3,503,969	2,968,908	—	—	—	—	—	22,677,655
Food and beverage	1,266,827	3,005,615	6,279,240	632,860	3,015,225	4,611,542	3,953,922	—	—	—	—	—	—	22,765,231
Management fees and other hotel expenses	3,444,683	5,410,693	8,001,819	6,799,526	11,395,691	8,073,376	9,136,926	4,290,818	—	—	—	—	—	56,553,532
Depreciation and amortization	1,053,283	—	—	—	—	—	—	—	16,660,184	—	—	—	—	17,713,467
Corporate expenses	4,114,165	—	—	—	—	—	—	—	—	3,194,566	—	—	—	7,308,731
Total operating expenses	11,334,338	10,180,964	16,800,970	11,852,260	17,045,626	16,095,165	16,594,817	7,259,726	16,660,184	3,194,566	—	—	—	127,018,616
OPERATING (LOSS)/PROFIT	(4,260,474)	2,216,534	5,486,191	6,111,255	(2,094,780)	4,468,860	4,767,081	1,492,796	(16,660,184)	(3,194,566)	—	—	—	(1,667,287)
OTHER EXPENSES (INCOME)														
Interest income	(1,333,837)	—	—	—	—	—	—	—	—	—	—	—	—	(1,333,837)
Interest expense	773,101	—	—	—	—	—	—	—	—	—	—	11,564,404	—	12,337,505
Total other expenses (income)	(560,736)	—	—	—	—	—	—	—	—	—	—	11,564,404	—	11,003,668
INCOME (LOSS) BEFORE INCOME TAXES	(3,699,738)	2,216,534	5,486,191	6,111,255	(2,094,780)	4,468,860	4,767,081	1,492,796	(16,660,184)	(3,194,566)	—	(11,564,404)	—	(12,670,955)
Provision (Benefit) for income taxes	(1,582,113)	—	—	—	—	—	—	—	—	—	(1,411,483)	—	—	(2,993,596)
NET INCOME (LOSS)	$ (2,117,625)	$ 2,216,534	$ 5,486,191	$ 6,111,255	$ (2,094,780)	$ 4,468,860	$ 4,767,081	$ 1,492,796	$ (16,660,184)	$ (3,194,566)	$ 1,411,483	$ (11,564,404)	$ —	$ (9,677,359)

Calculation of Basic and Diluted EPS (J)	
Net Loss	(9,677,359)
Number of Shares	21,020,100
Basic and Diluted Earnings per Share	**(0.46)**

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2004

The accompanying unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2004 is based on our Historical Consolidated Statement of Operations for the period from May 6, 2004 (inception) to December 31, 2004, adjusted to reflect the initial public offering of common stock by the Company, the acquisitions of the initial seven hotels and the application of the net proceeds as described in "Use of Proceeds."

- The unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2004 assumed that the following occurred on January 1, 2004:
  - Initial public offering of shares of common stock of the Company at $ per share, the mid-point of the assumed offering range, with approximately $ of net proceeds to the Company.
  - The acquisition of the following hotels for total consideration of:

Hotel		
The Lodge at Sonoma, a Renaissance Resort & Spa	$	32,345,000
Courtyard Midtown Manhattan East		78,857,000
Marriott Bethesda Suites		41,892,000
Salt Lake City Marriott Downtown		53,345,000
Courtyard Manhattan Fifth Avenue		39,740,000
Marriott Griffin Gate Resort		49,842,000
Torrance Marriott		72,002,000
Total	$	368,023,000

  - Repayment of approximately $ of mortgage debt related to , $ of mortgage debt related to and $ of mortgage debt related to with proceeds of the offering.
  - The Company elected REIT status.
- The accompanying unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2004 only includes the estimated general and administrative costs of the Company for compensation arrangements and other costs for which the Company is currently obligated. This adjustment excludes certain costs related to future employee costs and other costs for which the Company is not currently obligated, which we expect to incur subsequent to completion of the offering.

In the opinion of the Company's management, all material adjustments to reflect the effects of the preceding transactions have been made. The accompanying unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2004 is presented for illustrative purposes only and is not necessarily indicative of what the actual results of operations would have been had the offering, the acquisitions of the initial seven hotels and the other transactions described above occurred as of January 1, 2004, nor does it purport to represent the future results of operations of the Company.

Notes and Management Assumptions:

D Represents the adjustment to record historical revenues and operating expenses associated with the 2004 and 2005 acquisitions of the following hotels:

- The Lodge at Sonoma, a Renaissance Resort and Spa
- Marriott Griffin Gate Resort
- Courtyard Midtown / Manhattan East
- Bethesda Marriott Suites
- Torrance Marriott
- Marriott Salt Lake City Downtown
- Courtyard Manhattan / Fifth Avenue

E Reflects the adjustment to include the depreciation and amortization resulting from the acquisition of the initial seven hotels as follows:

Hotel		
The Lodge at Sonoma, a Renaissance Resort & Spa	$	1,454,218
Courtyard Midtown / Manhattan East		2,478,511
Bethesda Marriott Suites		2,198,006
Salt Lake City Marriott Downtown		2,302,107
Courtyard Manhattan / Fifth Avenue		1,788,964
Marriott Griffin Gate Resort		1,741,778
Torrance Marriott		4,696,600
Total	$	16,660,184

F Reflects the adjustment to include annual salaries and benefits of $1,769,128 to be paid pursuant to employment agreements and offer letters with the executive officers and other employees of the Company as of December 31, 2004 and the annual expense of $1,177,917 relating to existing restricted stock awards to the executive officers and certain other employees of 700,500 shares, based on a three-year vesting period and price of $10 per share. This adjustment also includes the adjustment to reflect corporate expenses that the Company is contractually obligated to pay, including the office lease costs, certain professional fees and certain insurance of $247,521.

G Reflects the adjustment to the Company's historical income tax benefit to reflect the pro forma tax benefit of the Company's Taxable REIT Subsidiary assuming the Company had elected REIT status as of January 1, 2004.

H Reflects the adjustment to reflect interest expense incurred for debt related to the initial seven hotels. The debt relating to the acquisition of the Bethesda Marriott Suites was assumed at above market terms. The Company recorded a debt premium to adjust this debt to market terms at the acquisition date. The amortization of the debt discount reduces interest expense.

I Reflects the adjustment to reduce interest expense $ of interest of the mortgage debt related to , $ of interest of the mortgage debt related to and $ of interest of the mortgage debt related to , all of which will be repaid with the proceeds of the offering.

J The shares used in the basic and diluted earning per share calculation include the following:

The offering	
Shares acquired by the CEO in a private transaction	100
Shares issued in 2004 Private Placement Offering	21,000,000
Restricted shares issued to directors	20,000
Total basic and diluted	

Report of Independent Registered Public Accounting Firm

The Board of Directors
DiamondRock Hospitality Company:

We have audited the accompanying consolidated financial statements of DiamondRock Hospitality Company and subsidiaries (the "Company") as listed in the accompanying index. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DiamondRock Hospitality Company and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the period from May 6, 2004 (inception) to December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

McLean, Virginia
February 21, 2005

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED BALANCE SHEET
December 31, 2004

ASSETS	
Property and equipment, at cost	$ 286,727,306
Less: accumulated depreciation	(1,084,867)
	285,642,439
Deferred financing costs, net	1,344,378
Restricted cash	17,482,515
Due from hotel managers	2,626,262
Purchase deposits and pre-acquisition costs	3,272,219
Prepaid and other assets	4,340,259
Cash and cash equivalents	76,983,107
Total assets	$ 391,691,179
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities:	
Mortgage debt, at face amount	$ 177,827,573
Debt premium	2,944,237
Total debt	180,771,810
Deferred income related to key money	2,490,385
Unfavorable lease liability	5,776,946
Due to hotel managers	3,985,795
Accounts payable and accrued expenses	3,078,825
Total other liabilities	15,331,951
Shareholders' Equity:	
Preferred stock, $.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	—
Common stock, $.01 par value; 100,000,000 shares authorized; 21,020,100 shares issued and outstanding	210,201
Additional paid-in capital	197,494,842
Accumulated deficit	(2,117,625)
Total shareholders' equity	195,587,418
Total liabilities and shareholders' equity	$ 391,691,179

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

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED STATEMENT OF OPERATIONS

For the Period from May 6, 2004 (Inception) to December 31, 2004

Revenues:	
Rooms	$ 5,137,370
Food and beverage	1,507,960
Other	428,534
Total revenues	7,073,864
Operating Expenses:	
Rooms	1,455,380
Food and beverage	1,266,827
Management fees	260,724
Other hotel expenses	3,183,959
Depreciation and amortization	1,053,283
Corporate expenses	4,114,165
Total operating expenses	11,334,338
Operating loss	(4,260,474)
Other Expenses (Income):	
Interest income	(1,333,837)
Interest expense	773,101
Total other income	(560,736)
Loss before income taxes	(3,699,738)
Income tax benefit	1,582,113
Net loss	$ (2,117,625)
Loss per share:	
Basic and diluted	$ (0.12)
Weighted average number of common shares outstanding:	
Basic and diluted	18,162,916

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

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the Period from May 6, 2004 (Inception) to December 31, 2004

	Common Stock				
	Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Total
Formation transactions on May 6, 2004	100	$ 1	$ 999	$ —	$ 1,000
Sale of common shares in private placement offering, less placement fees and expenses of $12,624,452	21,000,000	210,000	197,165,548	—	197,375,548
Issuance costs incurred related to private placement	—	—	(1,028,588)	—	(1,028,588)
Issuance and amortization of stock grants	20,000	200	1,356,883	—	1,357,083
Net loss	—	—	—	(2,117,625)	(2,117,625)
Balance at December 31, 2004	21,020,100	$ 210,201	$ 197,494,842	$ (2,117,625)	$ 195,587,418

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

DIAMONDROCK HOSPITALITY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period from May 6, 2004 (Inception) to December 31, 2004

Cash flows from operating activities:		
Net loss	$	(2,117,625)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization		1,053,283
Amortization of deferred financing costs as interest		28,615
Market value adjustment to interest rate caps		25,655
Amortization of debt premium and unfavorable lease liability		(10,814)
Amortization of deferred income and corporate depreciation		21,969
Stock-based compensation		1,357,083
Income tax benefit		(1,521,213)
Changes in assets and liabilities:		
Prepaid expenses and other assets		(581,477)
Due from hotel managers		(2,626,262)
Accounts payable and accrued expenses		3,545,232
Net cash used in operating activities		(825,554)
Cash flows from investing activities:		
Hotel acquisitions		(279,456,545)
Receipt of deferred key money		2,500,000
Cash paid for restricted cash at acquisition		(14,199,000)
Change in restricted cash		(480,515)
Purchase deposits and pre-acquisition costs		(3,272,219)
Net cash used in investing activities		(294,908,279)
Cash flows from financing activities:		
Proceeds from mortgage debt		177,827,573
Payment of financing costs		(1,372,993)
Cash paid for interest rate caps		(85,600)
Proceeds from sale of common stock		197,376,548
Payment of costs related to sale of common stock		(1,028,588)
Net cash provided by financing activities		372,716,940
Net increase in cash		76,983,107
Cash and cash equivalents, beginning of period		—
Cash and cash equivalents, end of period	$	76,983,107
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$	350,979
Cash paid for income taxes	$	—

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

1. Organization

DiamondRock Hospitality Company (the "Company") was incorporated in Maryland on May 6, 2004 to own hotel properties primarily located in major convention, business, resort and airport markets in the United States. The Company intends to elect to become a self-advised real estate investment trust ("REIT") effective January 1, 2005. A summary of the formation transactions of the Company is as follows:

- William W. McCarten, Chief Executive Officer was issued 100 shares of common stock on June 3, 2004 at a price equal to $10.00 per share in exchange for $1,000.
- DiamondRock Hospitality Limited Partnership (the "Operating Partnership"), a Delaware limited partnership, was formed on May 26, 2004. The Company is the sole general partner of the Operating Partnership, and a wholly owned subsidiary of the Company owns all of the limited partnership units in the Operating Partnership. The Operating Partnership owns the Company's hotel properties and the Company conducts substantially all of its business through the Operating Partnership.
- The Company formed Bloodstone TRS, Inc., a wholly owned subsidiary of the Operating Partnership to operate as the Company's taxable REIT subsidiary (the "TRS"). The provisions of the REIT Modernization Act allow REITs to own up to 100% of the stock of a TRS, which can engage in businesses that a REIT previously could not engage in directly.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's financial statements include all of the accounts of the Company and its subsidiaries beginning with its incorporation on May 6, 2004 in accordance with accounting principles generally accepted in the United States of America. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents and accounts payable and accrued expenses. Due to their short maturities, the carrying amounts of cash and cash equivalents and accounts payable and accrued expenses reasonably approximate fair value. See Note 11 for disclosures on fair values of debt and interest rate caps.

Property and Equipment

Investments in hotel properties are recorded at acquisition costs, which are allocated to land, land improvements, building and furniture, fixtures and equipment and identifiable intangible assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*. 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 will be removed from the Company's accounts and any resulting gain or loss will be included in the statements of operations.

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

The Company reviews its 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 property 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 property's estimated fair market value is recorded and an impairment loss recognized.

The Company will classify a hotel as held for sale in the period that the Company has 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 contingencies exist which could cause the transaction to not be completed in a timely manner. If these criteria are met, the Company will record an impairment loss if the fair value less costs to sell is lower than the carrying amount of the hotel and will cease recording depreciation expense. The Company will classify the loss, together with the related operating results, as discontinued operations on the statement of operations and 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, golf sales, food and beverage sales, and other hotel department revenues, such as telephone and gift shop sales.

Income Taxes

The Company accounts for income taxes using the asset and liability method prescribed in SFAS 109, *Accounting for Income Taxes.* The deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted.

The Company will elect, effective January 1, 2005, to be treated as a REIT under the provisions of the Internal Revenue Code and, as such, expects not to be subject to federal income tax after December 31, 2004, provided that the Company distributes all taxable income annually to the Company's shareholders and complies with certain other requirements. In addition to paying federal and state taxes on any retained income, the Company will be subject to taxes on "built in gains" on sales of certain assets. The Company's taxable REIT subsidiary will be subject to federal and state income taxes on undistributed taxable income.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net loss by the weighted average common shares outstanding during the period. Diluted earnings per share is calculated by dividing net loss by the weighted average common shares outstanding during the period plus other potentially dilutive securities such as restricted stock awards or shares issuable in the event of conversion of operating partnership units. No adjustment is shown for the potentially dilutive effect of 700,500 shares of restricted stock, as the impact is anti-dilutive during periods when the Company incurs a net loss and, accordingly, diluted loss per share is equal to basic loss per share.

Stock-based Compensation

The Company accounts for stock-based employee compensation using the fair value based method of accounting described in Statement of Financial Accounting Standards No. 123, *Accounting for Stock-based Compensation*, as amended. For restricted stock awards, the total compensation expense is equal to the number of shares awarded multiplied by the average price of the Company's common stock on the date of the award, less the purchase price for the stock, if any. The compensation expense is recorded over the period in which the restrictions lapse (i.e., vesting period).

Comprehensive Income (Loss)

Comprehensive income includes net income (loss) as currently reported by the Company on the consolidated statement of operations adjusted for other comprehensive income items. The Company does not have any items of comprehensive income (loss) other than the net loss.

Segment Information

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"), requires public entities to report certain information about operating segments. Based on the guidance provided in SFAS 131, the Company has determined that its business is conducted in one reportable segment, hotel ownership.

Restricted Cash

Restricted cash primarily consists of reserves for replacement of furniture and fixtures.

Deferred Financing Costs

Financing costs are recorded at cost and consist of loan fees and other costs incurred in connection with the issuance of debt. Amortization of deferred financing costs is computed using a method, which approximates the effective interest method over the remaining life of the debt and is included in interest expense in the accompanying statement of operations.

Hotel Working Capital

The due from hotel managers consists of hotel level accounts receivable, periodic hotel operating distributions due to owner and prepaid assets held by the hotel managers on the Company's behalf. The liabilities incurred by the hotel managers are comprised of liabilities incurred on behalf of the Company in conjunction with the operation of the hotels which are legal obligations of the Company. See Note 9.

Key Money

Key money received in conjunction with entering into hotel management agreements is deferred and amortized over the term of the hotel management agreement. Deferred Key Money is classified as deferred income in the accompanying consolidated balance sheet and amortized against management fees on the accompanying consolidated statement of operations.

Debt Premiums

Debt premiums are recorded to adjust the stated value of assumed debt to fair value at the acquisition date of a hotel. Debt premiums are amortized over the remaining life of the debt to interest expense on the accompanying consolidated statement of operations.

Derivative Instruments

The Company may be party to interest rate swaps in the future and is currently party to interest rate caps, which are considered derivative instruments. The fair value of the interest rate swaps and interest rate caps are recorded on the Company's balance sheet and gains or losses from the changes in the market value of the contracts are recorded in other income or expense. See Note 11 for disclosures on fair values of the interest rate caps.

Straight-Line Rent

The Company records rent expense on leases that provide for minimum rental payments that increase in pre-established amounts over the remaining term of the lease on a straight-line basis as required by accounting principles generally accepted in the United States.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Concentration of Credit Risk

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

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), *Share-Based Payment*. SFAS No. 123(R) establishes standards for companies in the recognition of compensation cost relating to share based payment transactions in the financial statements. SFAS 123(R) will be effective July 1, 2005. The Company currently utilizes the fair value approach of accounting for stock compensation, and therefore, the impact of adopting this statement is expected to be minimal.

3. Property and Equipment

Property and equipment as of December 31, 2004 consists of the following:

Land	$ 28,320,000
Land improvements	5,593,922
Buildings	231,300,990
Furniture, fixtures and equipment	21,287,175
Corporate office equipment and CIP	225,219
	286,727,306
Less: accumulated depreciation	(1,084,867)
	$ 285,642,439

4. Capital Stock

Common Shares

The Company is authorized to issue up to 100,000,000 shares of common stock, $.01 par value per share. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Holders of the Company's common stock are entitled to receive dividends when authorized by the Company's board of directors out of assets legally available for the payment of dividends.

On July 7, 2004, the Company closed on the sale of 21,000,000 shares of common stock, including 150,000 shares acquired by certain senior executives of the Company, at a price of $10 per share, in a private placement (the "Offering"). The Offering resulted in gross proceeds of $210 million and net proceeds (after deducting placement fees and offering expenses) of approximately $196 million. As of December 31, 2004, the Company had 21,020,100 shares of common stock outstanding.

The Company has agreed to file a registration statement with the Securities and Exchange Commission no later than nine months following the completion of the Offering providing for the resale of the shares issued in the Offering and to use commercially reasonable efforts to cause the registration statement to become effective as promptly as practicable after the filing, but no later than six months after the initial filing of the registration statement.

Preferred Shares

The Company is authorized to issue up to 10,000,000 shares of preferred stock, $.01 par value per share. The Company's 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 December 31, 2004, there were no shares of preferred stock outstanding.

Operating Partnership Units

Holders of Operating Partnership units have certain redemption rights, which enable them to cause the Operating Partnership to redeem their units in exchange for cash per unit equal to the market price of the Company's common stock, at the time of redemption, or, at the option of the Company for shares of the Company's 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 the stockholders of the Company. As of December 31, 2004, there were no Operating Partnership units held by outsiders.

5. Stock Incentive Plan

The Company's 2004 Stock Option and Incentive Plan (the "Plan") was adopted and approved by the Board of Directors in June 2004. The Plan permits the Company to make grants of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock awards, unrestricted stock awards, dividend equivalent rights and other share based awards. The Plan provides 1,107,500 shares of our common stock to be reserved for the issuance of such awards. This amount is subject to future adjustment up to a maximum of 2,000,000 shares of common stock. A compensation committee of the Board of Directors administers the Plan. This committee has full power and authority to select the participants to whom awards will be granted, to make any combination of awards to participants, to accelerate the exercisability or vesting of any award and to determine the specific terms and conditions of each award, subject to the conditions of the Plan.

As of December 31, 2004, the Company's employees have been awarded 700,500 shares of restricted common stock, which do not require payments by the executives. Subject to continued employment with the

Company, the executives' shares vest at the rate of one-third of the number of restricted shares per year commencing on the first anniversary of their issuance. Compensation relating to the executive restricted stock of approximately $7,000,000 is amortized over the 36-month period commencing on the date of the issuance. For the period from May 6, 2004 through December 31, 2004, the Company recorded $1,157,083 of stock-based compensation expense related to these awards which is included in corporate expenses in the accompanying statement of operations.

Concurrent with the Offering, the Company's independent directors were awarded 20,000 shares of unrestricted common stock, which did not require payments by the directors and vested immediately. At the time of the Offering, the Company recorded $200,000 of stock-based compensation expense related to these awards which is included in corporate expenses in the accompanying statement of operations.

6. Income Taxes

Deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are paid. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realizable based on consideration of available evidence, including future reversals of existing taxable temporary differences, projected future taxable income and tax planning strategies.

The deferred tax assets as of December 31, 2004 are as follows:

Deferred tax asset, net	$ 2,461,830
Less: Valuation allowance	—
Deferred tax asset, net	$ 2,461,830

The tax effect of each type of temporary difference and carrryforward that gives rise to the net deferred tax asset as of December 31, 2004 is as follows:

Property and equipment	$ (40,831)
Ground leases	128,205
Restricted stock	179,795
Pre-opening costs	1,118,529
Debt premium	(4,695)
Deferred income related to Key Money	1,080,827
Deferred tax asset, net	$ 2,461,830

A reconciliation of the statutory Federal tax benefit to our income tax benefit is as follows:

Statutory Federal tax benefit (@35%)	$ 1,294,908
Permanent tax differences	(19,010)
State income tax benefit, net of Federal tax benefit	306,215
Income tax benefit	$ 1,582,113

The (provision) / benefit for income taxes consists of the following:

Current—Federal	$ (616,942)
State	(262,775)
	(879,717)
Deferred—Federal	1,728,840
State	732,990
	2,461,830
Income tax benefit	$ 1,582,113

The Company intends to elect to become a self-advised REIT effective January 1, 2005. The Company will account for the tax impact of this election in the first quarter of 2005, the period of election. This election will result in the Company recording an expense to write-off deferred tax assets in the first quarter of 2005 income statement.

7. Debt

The Company has incurred property specific mortgage debt in conjunction with the acquisition of each of the Company's hotels. The mortgage debt is recourse solely to specific assets, except for fraud, misapplication of funds and other customary recourse provisions. As of December 31, 2004, all six of our hotel properties are secured by mortgage debt. In addition, the Torrance Marriott, which was acquired on January 5, 2005, is secured by mortgage debt. The Company's mortgage debt contains certain property specific covenants and restrictions, including minimum debt service coverage ratios as well as restrictions to incur additional debt without lender consent. As of December 31, 2004, the Company was in compliance with all debt covenants.

The following table sets forth information regarding the Company's mortgage debt as of December 31, 2004:

Property	Principal Balance	Interest Rate	Maturity Date	Amortization Provisions
The Lodge at Sonoma, a Renaissance Resort and Spa	$ 20,000,000	LIBOR + 2.40 (4.74% as of December 31, 2004)	11/06	Interest Only
Courtyard Manhattan / Midtown East	45,000,000	5.20	12/09	25 years
Marriott Salt Lake City Downtown	39,000,000	5.50	12/14	20 years
Courtyard Manhattan / Fifth Avenue	23,000,000	LIBOR + 2.70 (5.04% as of December 31, 2004)	1/07	Interest Only
Marriott Griffin Gate Resort	31,000,000	5.11	12/09	25 years
Bethesda Marriott Suites(1)	19,827,573	7.69	2/23	25 years
Total	$ 177,827,573			

(1) The Company assumed the Bethesda Marriott Suites mortgage debt in conjunction with the Company's acquisition of the hotel. The Company recorded a debt premium in purchase accounting to adjust the mortgage debt to a market interest rate. See Note 8.

Cash paid for interest during the period from May 6, 2004 through December 31, 2004 was $350,979. Deferred financing costs amounted to $1,372,993 as of December 31, 2004. Amortization of deferred financing costs totaled $28,615 during the period from May 6, 2004 through December 31, 2004 and is recorded in interest expense.

As of December 31, 2004, the Company had two interest rate caps outstanding for the Sonoma and Courtyard Manhattan / Fifth Avenue debt, respectively. As of December 31, 2004 the fair market values of the Sonoma and Courtyard Manhattan / Fifth Avenue interest rate caps were $36,037 and $23,907, respectively.

The aggregate debt maturities as of December 31, 2004 are as follows:

2005	$ 3,113,034
2006	46,253,042
2007	3,446,169
2008	3,634,734
2009	43,945,165
Thereafter	77,435,429
	$ 177,827,573

8. Acquisitions

2004 Acquisitions

On October 27, 2004 the Company acquired the Lodge at Sonoma, a Renaissance Resort and Spa, a 182-room hotel located in Sonoma, California from Marriott for approximately $32.3 million, (including working capital). The acquisition's effective date was September 11, 2004. Hotel earnings for the period from September 11, 2004 to October 26, 2004 are accounted for as a reduction of the purchase price for accounting purposes. Transaction costs of $238,000 were incurred and capitalized in conjunction with the acquisition. The hotel will continue to be managed by a subsidiary of Marriott under a new management agreement.

On November 19, 2004, the Company acquired the Courtyard by Marriott Midtown East, a 307-room hotel located in Midtown Manhattan, New York for approximately $78.9 million (including working capital). Transaction costs of $717,000 were incurred and capitalized in conjunction with the acquisition. Marriott entered into an Assignment and Assumption of Purchase and Sale Agreement with the Company whereby the Company assumed Marriott's rights, title and interest in Marriott's Purchase and Sale Agreement with a third party for the acquisition of the hotel. The hotel will continue to be managed by a subsidiary of Marriott under a new management agreement. Marriott provided the Company with $2.5 million ("Key Money") as enticement to enter into the management agreement. The Key Money has been deferred and will be recognized over the term of the management agreement.

On December 15, 2004, the Company acquired the Salt Lake City Marriott, a 510-room hotel located in Salt Lake City, Utah for total consideration of approximately $53.3 million (including working capital). Transaction costs of $277,000 were incurred and capitalized in conjunction with the acquisition. The Company leases the land underlying the Salt Lake City Marriott pursuant to a ground lease that provides for ground lease payments that are calculated based on a percentage of gross revenues. The Company reviewed the terms of the ground lease in conjunction with the hotel purchase accounting and concluded that the ground lease terms are consistent with current market terms. The hotel will continue to be managed by a subsidiary of Marriott under the existing management agreement. The terms of the assumed management agreement are consistent with current market terms. Accordingly, no intangible asset or liability was recorded in purchase accounting for this agreement.

On December 15, 2004, the Company acquired the Marriott Bethesda Suites, a 274-suite hotel located in Bethesda, Maryland for total consideration of approximately $41.9 million (including working capital). Transaction costs of $248,000 were incurred and capitalized in conjunction with the acquisition. The Company leases the land underlying the Marriott Bethesda Suites pursuant to a ground lease that provides for ground lease rental payments that are stipulated in the ground lease and increase 5.5 percent per annum over the remaining eighty-three year term of the lease. The Company concluded that the ground lease terms are above current market and recorded a $5.8 million unfavorable lease provision at the acquisition date. The hotel will continue to be managed by a subsidiary of Marriott under a new management agreement. The Company reviewed the terms of the hotel's mortgage debt in conjunction with the purchase accounting. The Company concluded that the current mortgage terms are above current market and, accordingly, the Company recorded a $3.0 million debt premium to record the debt at fair value as of the acquisition date. The Company is planning to complete a $3 million renovation of the hotel during 2005.

On December 20, 2004, the Company acquired the Hotel 5A, formerly the Clarion Fifth Avenue, a 189-room hotel located in Midtown Manhattan, New York for total consideration of approximately $39.7 million (including working capital). The hotel was converted to a Courtyard by Marriott in early 2005 and will be operated under a new management agreement with a subsidiary of Marriott and is currently known as the Courtyard Manhattan / Fifth Avenue. Transaction costs of $425,000 were incurred and capitalized in conjunction with the acquisition. The Company leases the land underlying the Courtyard New York / Fifth Avenue pursuant to a ground lease that provides for ground lease rental payments that are stipulated in the ground lease and increase in pre-established amounts over the remaining eighty year term of the lease. The Company reviewed the terms of the ground lease in conjunction with the hotel purchase accounting and concluded that the ground lease terms are consistent with current market terms. The Company is planning to invest approximately $4 million during the hotel conversion. In March 2005, Marriott will pay the TRS of the Company $1.0 million, which was an incentive to enter into the management agreement. The Key Money will be deferred and recognized over the term of the management agreement.

On December 22, 2004, the Company acquired the Marriott Griffin Gate Resort, a 408-room hotel located in Lexington, Kentucky for total consideration of approximately $49.8 million (including working capital). The acquisition's effective date was September 11, 2004. Hotel earnings for the period from September 11, 2004 to December 22, 2004 are accounted for as a reduction of the purchase price for accounting purposes. Transaction costs of $496,000 were incurred and capitalized in conjunction with the acquisition. The hotel will continue to be managed by a subsidiary of Marriott under a new management agreement. The Company is planning to invest $1.7 million in the hotel during 2005.

2005 Acquisition

On January 5, 2005, the Company acquired the Torrance Marriott, a 487-room hotel located in Torrance, California for total consideration of approximately $72 million (including working capital). Transaction costs of $353,000 were incurred and capitalized in conjunction with the acquisition. The hotel will continue to be managed by a subsidiary of Marriott under a new management agreement. In early 2005, Marriott will pay the TRS of the Company $3.0 million ("Key Money") which was an incentive to enter into the management agreement. The Key Money will be deferred and recognized over the term of the management agreement. The Company entered into $44 million of mortgage debt on the Torrance Marriott. This interest only mortgage debt bears interest at LIBOR plus 2.50% and matures in January 2007. The Company is planning to complete a $10 million renovation of the hotel during 2005 and 2006.

The allocations, which may be adjusted if any of the assumptions underlying the purchase accounting change, of the purchase prices of the hotels to the acquired assets and liabilities are as follows (in thousands):

	Sonoma	Midtown East	Salt Lake	Courtyard Fifth Avenue
Land	$ 3,951	$ 16,500	$ —	$ —
Land improvements	5,594	—	—	—
Building	17,865	54,664	45,292	33,779
Furniture, fixtures and equipment	4,846	1,500	3,825	1,000
Total fixed assets	32,256	72,664	49,117	34,779
Due from manager	780	—	—	—
Restricted cash	—	—	—	214
Cash	—	4,000	—	—
FF&E escrow	800	4,539	3,761	4,117
Hotel working capital and other assets, net	(1,491)	154	467	630
Deferred key money	—	(2,500)	—	—
Purchase price	$32,345	$ 78,857	$53,345	$ 39,740

	Griffin Gate	Bethesda	Torrance
Land	$ 7,869	$ —	$ 7,241
Building	33,428	46,271	51,504
Furniture, fixtures and equipment	6,650	3,425	3,409
Total fixed assets	47,947	49,696	62,154
FF&E Escrow	2,955	830	10,000
Unfavorable lease provision	—	(5,780)	—
Debt premium		(2,952)	—
Hotel working capital and other assets, net	(1,060)	98	(152)
Purchase Price	$ 49,842	$ 41,892	$ 72,002

The acquired properties will be included in our results of operations from the respective dates of acquisition. The following unaudited pro forma results of operations reflect the 2004 and 2005 acquisitions and the 2004 acquisitions, respectively as if each had occurred on January 1, 2004. These pro forma results do not purport to be indicative of the results of operations, which would have actually occurred had the transactions taken place on January 1, 2004, or of future results of operations.

	2004 and 2005 Acquisitions	2004 Acquisitions
	Year Ended December 31, 2004	Year Ended December 31, 2004
Revenues	$ 125,351,329	$ 104,787,304
Total expenses	(134,967,788)	(120,191,171)
Net loss	$ (9,616,459)	$ (15,403,867)
Loss per share—Basic	$ (0.53)	$ (0.85)
Loss per share—Diluted	$ (0.53)	$ (0.85)

9. Related Party Transactions

Marriott Investment Sourcing Relationship

As of December 31, 2004, Marriott International Inc. (“Marriott”) owns approximately 14.3% of our common stock. While there is no contractual relationship binding upon the Company and Marriott, the Company considers Marriott to be the Company’s preferred hotel management company.

Marriott Management Agreements

The Company was party to hotel management agreements with Marriott for five of the six properties owned as of December 31, 2004. The sixth hotel converted to a Courtyard by Marriott in early 2005. The Torrance Marriott, acquired on January 5, 2005, is subject to a new management agreement with Marriott. Marriott is responsible for hiring, with the Company retaining veto rights on certain executive level employees, training and supervising the managers and employees required to operate the properties and for purchasing supplies, for which generally Marriott will be reimbursed by the Company. Marriott will provide centralized reservation systems, national advertising, marketing and promotional services, as well as various accounting and data processing services. Marriott will also prepare and implement annual operations budgets that will be subject to certain limited review and approval rights by the Company.

The following table sets forth the effective date, initial term and the number of renewal terms at the option of the manager under the respective management agreements for each of the Company's acquired hotel properties:

	Date of Agreement	Initial Term	Number of Renewal Terms
The Lodge at Sonoma, a Renaissance Resort and Spa	10/25/2004	20 years	One ten year period
Courtyard Midtown Manhattan East	11/19/2004	30 years	Two ten year periods
Marriott Salt Lake City Downtown	12/29/2001	30 years	Three fifteen year periods
Courtyard Manhattan / Fifth Avenue	1/22/2005	30 years	None
Marriott Griffin Gate Resort	12/22/2004	20 years	One ten year period
Marriott Bethesda Suites	12/15/2004	21 years	Two ten year periods
Torrance Marriott	1/31/05	40 years	None

The following table sets forth the base management fee and incentive management fee, generally due and payable each fiscal year, for each of our seven properties.

	Base Management Fee(1)	Incentive Management Fee(2)
Courtyard Manhattan/Midtown East	5%	25%(3)
Torrance Marriott	3%	20%(4)
Salt Lake City Marriott Downtown	3%	Not more than 20% (5)
Marriott Griffin Gate Resort	3%	20%(6)
Bethesda Marriott Suites	3%	50%(7)
Courtyard Manhattan/Fifth Avenue	5%(8)	25%(9)
The Lodge at Sonoma Renaissance Resort & Spa	3%	20%(10)

(1) As a percentage of gross revenues.

(2) Based on a percentage of hotel operating profits above a negotiated return on our investment capital as more fully described in the following footnotes.

(3) Calculated as a percentage of operating profits in excess of 10.75% of the sum of (i) $73.7 million and (ii) the amount of certain capital expenditures.

(4) Calculated as a percentage of operating profits in excess of the sum of (i) $7.5 million and (ii) 10.75% of certain capital expenditures.

(5) The incentive management fee is equal to the available cash flow for each fiscal year, subject to a cap of 20% of operating profit for such fiscal year. Commencing with the fiscal year 2002, the operating profit with respect to each fiscal year is reduced by an amount equal to 10.75% of all material capital expenditures funded by the TRS lessee; provided that the material capital expenditures are included in the calculation of the incentive management fee with respect to the fiscal year or fiscal years during which such expenditures occurred (on a pro rata basis).

(6) Calculated as a percentage of operating profits in excess of the sum of (i) $5.5 million and (ii) 10.75% of certain capital expenditures.

(7) Calculated as a percentage of operating profits in excess of the sum of (i) the payment of certain loan procurement costs, (ii) 10.75% of certain capital expenditures, (iii) an agreed-upon return on certain expenditures and (iv) the value of certain amounts paid into a reserve account established for the replacement, renewal and addition of certain hotel goods.

(8) The base management fee will be equal to 5.5% of gross revenues for fiscal years 2010 through 2014 and 6% for fiscal year 2015 and thereafter until the expiration of the agreement. Also, beginning in 2007, the

base management fee may increase to 5.5% at the beginning of the next fiscal year if operating profits equal or exceed $4.7 million, and beginning in 2011, the base management fee may increase to 6.0% at the beginning of the next fiscal year if operating profits equal or exceed $5.0 million.

(9) Calculated as a percentage of operating profits in excess of 12% of the sum of (i) $38.8 million and (ii) the amount of certain capital expenditures, less 5% of the total real estate tax bill (for as long as the hotel is leased to a party other than the manager).

(10) Calculated as a percentage of operating profits in excess of the sum of (i) $3.6 million and (ii) 10.75% of capital expenditures.

As of December 31, 2004, the liabilities incurred by the hotel managers are comprised of liabilities incurred by the Company's hotel managers in conjunction with the operation of the hotels which are legal obligations of the Company. As of December 31, 2004, the due from manager is primarily comprised of hotel level accounts receivable, periodic hotel operating distributions due to owner and prepaid assets held by the hotel managers on the Company's behalf.

Other Business Relationships with Marriott

The Company is party to the following arrangements with Marriott:

- The Company is party to a one-year lease agreement for approximately 4,000 square feet of office space at Marriott's headquarters for the Company's corporate offices for approximately $190,000 per year. In addition, the Company reimbursed Marriott for approximately $45,000 of leasehold improvement costs for the leased space.
- The Company has entered into a shared services agreement with Marriott. The shared services agreement provides the Company with access to certain information technology and telephone and Internet systems as long as the Company continues to lease its corporate offices from Marriott. The cost of these services was approximately $73,000 for the period from May 6, 2004 to December 31, 2004.

TRS Leases

In order to qualify as a REIT, the Company must lease our hotel properties to another party from whom the Company will derive rent income that will qualify as "rents from real property" under the REIT rules. Accordingly, the Company will lease each of our hotels to a wholly owned TRS lessee subsidiary. Each TRS lessee subsidiary pays rent that generally should qualify as "rents from real property," provided that an "eligible independent contractor" operates and manages each hotel property on behalf of the TRS lessee. We expect that an "eligible independent contractor" will manage each of our hotel properties. All rents under the TRS leases are eliminated in consolidation.

10. Commitments and Contingencies

Litigation

The Company is not involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Company.

Ground Leases

The Company leases the land underlying the Bethesda Marriott Suites and the Courtyard Manhattan / Fifth Avenue pursuant to ground leases that provide for ground lease rental payments that are stipulated in the ground lease and increase in pre-established amounts over the remaining term of the lease. The Company leases the land underlying the Salt Lake City Marriott Downtown pursuant to a ground lease that provides for ground lease payments that are calculated based on a percentage of gross revenues. The Company records minimum ground rent expense on the Bethesda Marriott Suites and the Courtyard Manhattan / Fifth Avenue on a straight-line basis as required by accounting principles generally accepted in the United States.

The Company also leases the ground under the Marriott Griffin Gate Resort golf course. In addition to the main Salt Lake City ground lease, the Company leases the ground under a portion of the Salt Lake City Marriott Downtown ballroom under a separate lease agreement. Ground rent expense was $353,410 for the period from May 6, 2004 to December 31, 2004. Cash paid for ground rent was $53,215 for the period from May 6, 2004 to December 31, 2004.

Future minimum annual rental commitments under non-cancelable operating leases as of December 31, 2004 are as follows:

2005	$	1,557,672
2006		1,376,847
2007		1,299,551
2008		1,404,811
2009		1,423,123
Thereafter		626,790,160
	$	633,852,164

11. Fair Value of Financial Instruments

The fair value of certain financial assets and liabilities and other financial instruments as of December 31, 2004 are as follows:

	Carrying Amount		Fair Value	
Mortgage debt	$	177,827,573	$	180,779,372
Interest rate cap agreements		59,944		59,944

The fair value of all other financial assets and liabilities are equal to their carrying amount.

12. Planned Initial Public Offering and Credit Facility (Unaudited)

The Company plans to file a registration statement on Form S-11 with the intention of registering its outstanding common stock and raising of capital through the sale of additional common stock. The Company is currently under negotiations to enter a secured revolving credit facility.

DiamondRock Hospitality Company
Schedule III—Real Estate and Accumulated Depreciation
As of December 31, 2004

Description	Encumbrances	Initial Cost: Land	Initial Cost: Building and Improvements	Costs Capitalized Subsequent to Acquisition	Gross Amount at End of Year: Land	Gross Amount at End of Year: Building and Improvements	Gross Amount at End of Year: Total	Accumulated Depreciation	Net Book Value	Year of Acquisition	Depreciation Life
The Lodge at Sonoma, a Renaissance Resort and Spa	(20,000,000)	3,951,000	23,459,459	—	3,951,000	23,459,459	27,410,459	(148,123)	27,262,336	2004	40 Years
Courtyard Manhattan / Midtown East	(45,000,000)	16,500,000	54,664,374	—	16,500,000	54,664,374	71,164,374	(160,628)	71,003,746	2004	40 Years
Salt Lake City Marriott Downtown	(39,000,000)	—	45,292,260	—	—	45,292,260	45,292,260	(53,651)	45,238,609	2004	40 Years
Courtyard Manhattan / Fifth Avenue	(23,000,000)	—	33,779,307	—	—	33,779,307	33,779,307	(27,855)	33,751,452	2004	40 Years
Marriott Griffin Gate Resort	(31,000,000)	7,869,000	33,428,263	—	7,869,000	33,428,263	41,297,263	(23,237)	41,274,026	2004	40 Years
Bethesda Marriott Suites	(19,827,573)	—	46,271,249	—	—	46,271,249	46,271,249	(54,083)	46,217,166	2004	40 Years
Total	(177,827,573)	28,320,000	236,894,912	—	28,320,000	236,894,912	265,214,912	(467,577)	264,747,335		

Independent Auditors' Report

Marriott International, Inc.:

We have audited the accompanying statements of assets and liabilities—accounts maintained by Marriott International, Inc. for the Courtyard by Marriott Midtown East (the Hotel) as of October 8, 2004 and January 2, 2004 and the related statements of operating revenues, direct costs and certain operating expenses—accounts maintained by Marriott International, Inc., net assets—accounts maintained by Marriott International, Inc., and cash flows—accounts maintained by Marriott International, Inc. for the Hotel for the period from January 3, 2004 to October 8, 2004 and for the years ended January 2, 2004 and January 3, 2003. These financial statements are the responsibility of Marriott International, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2, the accompanying financial statements exclude certain assets, liabilities and expenses and therefore, are not a complete presentation of the Hotel's assets, liabilities and related revenues and expenses.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Hotel maintained by Marriott International, Inc. (described in note 2) as of October 8, 2004 and January 2, 2004 and the related operating revenues, direct costs and certain operating expenses and cash flows of the Hotel maintained by Marriott International, Inc. in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

McLean, Virginia
November 19, 2004

COURTYARD BY MARRIOTT MIDTOWN EAST

STATEMENTS OF ASSETS AND LIABILITIES— ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.
October 8, 2004 and January 2, 2004

	October 8, 2004	January 2, 2004
ASSETS		
Cash and cash equivalents	$ 93,347	$ 35,798
Accounts receivable	730,720	353,078
Due from Marriott International, Inc.	780,238	833,981
Other assets	50,981	85,010
Total assets	$ 1,655,286	$ 1,307,867
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 245,568	$ 233,724
Sales and use tax payable	256,069	209,641
Due to fund for replacement of and additions to furnishings and equipment	129,157	113,368
Advance deposits	30,665	46,959
Total liabilities	661,459	603,692
Net assets	993,827	704,175
Total liabilities and net assets	$ 1,655,286	$ 1,307,867

See accompanying notes to financial statements.

COURTYARD BY MARRIOTT MIDTOWN EAST

STATEMENTS OF OPERATING REVENUES, DIRECT COSTS AND CERTAIN OPERATING EXPENSES— ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.

Period from January 3, 2004 to October 8, 2004 and Years Ended January 2, 2004 and January 3, 2003

	January 3, 2004 to October 8, 2004	Year ended January 2, 2004	Year ended January 3, 2003
Operating Revenues:			
Rooms	$ 14,222,711	$ 14,898,355	$ 16,098,776
Food and beverage	566,422	711,239	782,513
Telephone and other	214,987	351,238	406,927
Total operating revenues	15,004,120	15,960,832	17,288,216
Direct Costs:			
Rooms	3,795,646	3,690,098	3,818,414
Food and beverage	547,601	695,381	847,560
Telephone and Other	281,271	341,057	404,074
Total direct costs	4,624,518	4,726,536	5,070,048
Total operating revenues less direct costs	10,379,602	11,234,296	12,218,168
Certain Operating Expenses:			
General and administrative	1,593,420	1,977,756	2,600,900
Utilities	503,593	660,493	545,270
Real estate taxes and other taxes	790,593	1,063,074	860,999
Repairs and maintenance	660,189	826,627	366,573
Management fees	750,206	798,042	864,411
Marketing	596,844	646,159	746,744
Insurance	157,359	252,348	340,340
Leases	31,884	58,329	67,830
Other expenses	417,670	472,336	27,799
Total operating expenses	5,501,758	6,755,164	6,420,866
Excess of operating revenues over direct costs and certain operating expenses	$ 4,877,844	$ 4,479,132$	$ 5,797,302

See accompanying notes to financial statements.

COURTYARD BY MARRIOTT MIDTOWN EAST

STATEMENTS OF CASH FLOWS— ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.

Period from January 3, 2004 to October 8, 2004 and Years Ended January 2, 2004 and January 3, 2003

	January 3, 2004 to October 8, 2004	Year ended January 2, 2004	Year ended January 3, 2003
Cash flows from operating activities:			
Excess of operating revenues over direct costs and certain operating expenses	$ 4,877,844	$ 4,479,132	$ 5,797,302
Adjustments to reconcile net loss to net cash provided by operating activities:			
Changes in operating accounts:			
Accounts receivable, net	(377,642)	(104,748)	(33,206)
Due from Marriott International, Inc.	53,743	(355,488)	(335,074)
Other assets	34,029	386,936	81,805
Accounts payable and accrued expenses	58,272	23,754	125,096
Due to fund for replacement of and additions to furnishings and equipment	15,789	78,648	(13,699)
Advance deposits	(16,294)	13,876	10,202
Net cash provided by operating activities	4,645,741	4,522,110	5,632,426
Net cash used in financing activities—cash distributions to owner	(4,588,192)	(4,529,826)	(5,623,366)
Net increase (decrease) in cash and cash equivalents	57,549	(7,716)	9,060
Cash and cash equivalents at beginning of period	35,798	43,514	34,454
Cash and cash equivalents at end of period	$ 93,347	$ 35,798	$ 43,514

See accompanying notes to financial statements.

COURTYARD BY MARRIOTT MIDTOWN EAST

STATEMENTS OF NET ASSETS— ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.

Period from January 3, 2004 to October 8, 2004 and Years Ended January 2, 2004 and January 3, 2003

Balance at December 28, 2001	$ 580,933
Distributions to owner	(5,623,366)
Excess of operating revenues over direct costs and certain operating expenses	5,797,302
Balance at January 3, 2003	754,869
Distributions to owner	(4,529,826)
Excess of operating revenues over direct costs and certain operating expenses	4,479,132
Balance at January 2, 2004	704,175
Distributions to owner	(4,588,192)
Excess of operating revenues over direct costs and certain operating expenses	4,877,844
Balance at October 8, 2004	$ 993,827

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS— ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.
October 8, 2004 and January 2, 2004

1. Organization

866 3rd Generation Hotel L.L.C. (the "866 3rd") owns the 307 room Courtyard by Marriott Midtown East Hotel (the "Hotel") located at 866 Third Avenue, New York, New York. The Hotel is operated under a long-term management agreement with Courtyard Management Corporation (the "Manager"), a wholly owned subsidiary of Marriott International, Inc ("MII"). The Manager has managed the Hotel since its original conversion to a hotel in 1998. 866 3rd is currently a debtor in possession pursuant to a filing under Chapter 11 of the Federal bankruptcy code. MII entered into a Purchase and Sale Agreement with 866 3rd in October 2004 to acquire the Hotel. MII has assigned their right, title and interest under the Purchase and Sale Agreement to an affiliate of DiamondRock Hospitality Company ("DiamondRock") (see Note 6).

There are 53 weeks included in the period ended January 2, 2003 and there are 52 weeks included in the period ended January 3, 2004. October 8, 2004 is the end of the Manager's tenth accounting period in 2004. The Manager's accounting periods are four weeks in duration and there are 13 periods in a year.

2. Summary of Significant Accounting Policies

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying statements of assets and liabilities include only the accounts maintained by the Manager and, accordingly, do not include buildings, furniture and equipment, mortgage payable and the fund for replacement of additions to furnishings and equipment. In addition, the statements of operating revenues, direct costs and certain operating expenses include only the accounts maintained by the Manager and, accordingly, do not include charges for depreciation and amortization and interest expense, any expenses paid directly by 866 3rd or any income tax accounts, which are the liabilities of the members of 866 3rd. As a result, the accompanying financial statements are not intended to be a complete presentation of the Hotel's assets and liabilities and the related revenue and expenses, cash flows and net assets. Accordingly, the assets, liabilities and expenses may not be comparable to the assets, liabilities and expenses expected to be recorded by DiamondRock in the future.

Basis of Accounting

The accompanying statements are prepared using the accrual basis of accounting.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Revenue Recognition

Room revenue is recognized on a day-to-day basis when the services have been rendered. Food and beverage and all other revenue are recognized when the services have been rendered.

3. Management Agreement

The Hotel is operated under a long-term management agreement, which expires in November 2023, before considering any renewal periods, as defined. Pursuant to the terms of the management agreement, the Manager earns a base management fee, which is calculated as 5% of Hotel sales. In addition, the Manager earns an incentive management fee, which is calculated as 20% of available cash flow, as defined, in excess of an owner's priority, as defined. No incentive fees were earned in any of the periods presented.

The management agreement provides for the establishment of a fund for replacement of and additions to furnishings and equipment (the Fund) to cover the cost of replacements and renewals of furniture and fixtures at the Hotel. Contributions to the Fund are restricted and are calculated as 4% of Hotel sales. Contributions to the Fund, for the period from January 3, 2004 to October 8, 2004 and each of the fiscal years ended January 2, 2004 and January 3, 2003 were $600,165, $638,433 and $691,529, respectively. The Fund is held and owned by 866 3rd. The balance held by 866 3rd at October 8, 2004 was $2,971,026.

Pursuant to the terms of the management agreement, 866 3rd is required to provide the Manager with working capital and supplies to meet the operating needs of the Hotel. 866 3rd contributed $154,000 to the Manager to meet operating needs when the hotel opened in November 1998.

4. Commitments and Contingencies

The Hotel is involved from time to time in litigation arising in the normal course of business, none of which is expected to have a material adverse effect on the Hotel's financial statements.

5. Leases

The Manager is currently obligated under several non-cancelable operating lease agreements for computers and office equipment that expire between 2004 and 2007. Future minimum lease payments required under these non-cancelable operating leases as of October 8, 2004 are as follows:

October 8, 2004 to December 31, 2004	$ 4,925
2005	29,552
2006	3,955
2007	1,970
	$ 40,402

6. Subsequent Events

In November 2004, MII entered into an Assignment and Assumption of Purchase and Sale Agreement with DiamondRock whereby DiamondRock assumed MII's rights, title and interest in MII's Purchase and Sale Agreement with 866 3rd for the acquisition of the Hotel for cash consideration of approximately $75,000,000. DiamondRock is 14.3% owned by MII. The Hotel will continue to be managed by a subsidiary of MII under a new management agreement. The significant terms of the new management agreement are as follows:

Description	Term
Term	30 years with two 10-year extensions at Manager option
Base Management Fee	5% of gross revenues
Incentive Management Fee	25% above owner priority of 10.75% of total investment
FF&E Escrow Contribution Percentage	5%

Independent Auditors' Report

The Partners
Host Marriott, L.P.:

We have audited the accompanying balance sheets of the Torrance Marriott (the Hotel), as of October 8, 2004 and January 2, 2004 and the related statements of operations, net assets and cash flows for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003. These financial statements are the responsibility of the management of Host Marriott, L.P. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hotel's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hotel as of October 8, 2004 and January 2, 2004, and the results of its operations and its cash flows for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

McLean, Virginia
January 5, 2005

TORRANCE MARRIOTT

BALANCE SHEETS

(in thousands)

	October 8, 2004	January 2, 2004
ASSETS		
Property and equipment, net	$ 46,957	$ 48,214
Accounts receivable	921	1,015
Inventory	58	67
Prepaid expenses and other assets	19	15
Property improvement fund	2,863	2,161
Cash and cash equivalents	321	405
Total assets	$ 51,139	$ 51,877
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 474	$ 730
Deferred incentive management fees	5,706	5,164
Due to Marriott International, Inc.	97	226
Accrued expenses and other liabilities	480	459
Total liabilities	6,757	6,579
Net assets	44,382	45,298
Total liabilities and net assets	$ 51,139	$ 51,877

See accompanying notes to financial statements.

TORRANCE MARRIOTT

STATEMENTS OF OPERATIONS
(in thousands)

	Period from January 3, 2004 to October 8, 2004	Fiscal years ended January 2, 2004	Fiscal years ended January 3, 2003
Revenues:			
Rooms	$ 10,609	$ 13,171	$ 13,580
Food and beverage	4,510	5,217	5,031
Other	633	806	1,029
Total revenues	15,752	19,194	19,640
Operating costs and expenses:			
Rooms	2,615	3,264	3,277
Food and beverage	3,459	4,202	4,362
Hotel departmental expenses	4,701	5,468	5,210
Real estate taxes and other taxes	536	688	640
Other expenses	301	614	198
Management fees	1,010	1,199	1,415
Depreciation and amortization	1,721	2,267	2,186
Total operating costs and expenses	14,343	17,702	17,288
Operating profit	1,409	1,492	2,352
Income tax benefit	117	7	60
Net income	$ 1,526	$ 1,499	$ 2,412

See accompanying notes to financial statements.

TORRANCE MARRIOTT

STATEMENTS OF NET ASSETS
(in thousands)

Balance at December 28, 2001	$ 49,796
Net income	2,412
Capital distributions, net	(4,851)
Balance at January 3, 2003	47,357
Net income	1,499
Capital distributions, net	(3,558)
Balance at January 2, 2004	45,298
Net income	1,526
Capital distributions, net	(2,442)
Balance at October 8, 2004	$ 44,382

See accompanying notes to financial statements.

TORRANCE MARRIOTT

STATEMENTS OF CASH FLOWS
(in thousands)

	Period from January 3, 2004 to October 8, 2004	Fiscal years ended January 2, 2004	Fiscal years ended January 3, 2003
Operating Activities:			
Net income	$ 1,526	$ 1,499	$ 2,412
Depreciation and amortization	1,721	2,267	2,186
Changes in operating accounts:			
Accounts receivable	94	650	159
Deferred incentive management fees	542	623	823
Inventory, Prepaid expenses and other assets	5	1	(12)
Due to Marriott International, Inc.	(129)	(359)	(1,003)
Accounts Payable, Advanced Deposits, Accrued expenses and other liabilities	(235)	(375)	(502)
Cash provided by operating activities	3,524	4,306	4,063
Investing Activities:			
Additions to property and equipment, net	(464)	(480)	(628)
Change in property improvement fund	(702)	(562)	(355)
Cash used in investing activities	(1,166)	(1,042)	(983)
Financing Activities:			
Capital distributions to owners, net	(2,442)	(3,558)	(4,851)
Decrease in cash and cash equivalents	(84)	(294)	(1,771)
Cash and cash equivalents at:			
Beginning of period	405	699	2,470
End of period	$ 321	$ 405	$ 699

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
October 8, 2004 and January 2, 2004

1. Business and Basis of Presentation

The balance sheet and operating accounts of the Torrance Marriott (the Hotel, as defined below), have been prepared pursuant to the requirements of a purchase and sale agreement between the owner, Host Marriott, L.P. (Host LP) and DiamondRock Hospitality Company (DiamondRock). All of the interests in the Hotel are either directly or indirectly owned by Host LP.

These financial statements present the financial position, results of operations, and the cash flows of the hotel by combining the accounts of Host LP, pertaining to the Hotel, the accounts of the taxable Real Estate Investment Trust subsidiary (TRS) of Host LP, which leases the Hotel and the working capital and operating accounts of the Hotel as of October 8, 2004 and January 2, 2004 and for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003 and, the rental income received by the owner is eliminated against the lease expense of the TRS as well as other inter-entity transactions and balances. Accordingly, these financial statements reflect the financial position, results of operations and cash flows for the Hotel. October 8, 2004 is the end of the tenth accounting period in 2004. The accounting periods are four weeks in duration, and there are 13 periods in a year. All excess cash generated by the Hotel is distributed to the owner of the Hotel.

The Torrance Marriott (the Hotel), has 487 rooms and is operated under long-term management agreement with Marriott International, Inc. (MII).

2. Summary of Significant Accounting Policies

Basis of Accounting

The assets and liabilities in these financial statements are recorded at their historical costs.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenues

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

Property and Equipment

Property and equipment is recorded at cost. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for building and improvements and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease terms or the estimated useful lives of the assets.

Host LP assesses impairment of real estate properties based on whether it is probable that estimated undiscounted future cash flows from the Hotel property are less than its net book value. If the Hotel property is impaired, a loss is recorded for the difference between the fair value and net book value of the property.

Income Taxes

Provisions for Federal and state income taxes in the accompanying financial statements are based on the pre-tax loss of the TRS. The effective tax rate applied to the pre-tax loss of the taxable REIT subsidiary was 38.5% for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003. The deferred tax asset related to the pre-tax loss is transferred to Host LP and treated as an adjustment to capital distributions in the accompanying financial statements.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at date of purchase are considered cash equivalents.

Property Improvement Fund

The property improvement fund was established pursuant to the management agreement with MII to fund capital expenditures at the Hotel (see note 4).

3. Property and Equipment

Property and equipment consists of the following (in thousands):

	October 8, 2004	January 2, 2004
Land	$ 9,215	$ 9,215
Building and improvements	43,538	43,222
Furniture and equipment	6,733	6,585
	59,486	59,022
Less accumulated depreciation	(12,529)	(10,808)
	$ 46,957	$ 48,214

4. Management Agreement

The Hotel is managed by MII pursuant to a long-term management agreement, which expires on December 31, 2060, including all renewal periods. Pursuant to the terms of the management agreement, the manager earns a base management fee of 3% of hotel sales and an incentive management fee, which is 20% of Gross Operating Profit (as defined in the management agreement).

Incentive management fees for the Hotel for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003 were approximately $.5 million, $.6 million and $.8 million, respectively. Incentive management fees must be deferred if the owner’s distribution is less than 70% of Gross Operating Profit. To date, all incentive management fees have been deferred.

The management agreement provides for the establishment of a property improvement fund to cover the cost of replacements and renewals of furniture and fixtures at the Hotel. Contributions to the property improvement fund are based on 5% of Hotel sales. Contributions to the property improvement fund for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003 were approximately $.8 million, $1.0 million and $1.0 million, respectively.

5. TRS Lease

The TRS, as the lessee of the Hotel (Lessee), is responsible for paying all of the expenses of operating the Hotel, including all personnel costs, utility costs and general repair and maintenance of the Hotel. The Lessee is also responsible for all fees payable to MII, including base and incentive management fees and chain service payments, with respect to periods covered by the term of the lease. The Lessee is not obligated to bear the cost of any capital improvements or capital repairs to the Hotel or the other expenses borne by Host LP such as real estate taxes, personal property taxes, casualty insurance on the Hotel, required expenditures for replacement of furniture and fixtures (including maintaining the property improvement fund) and capital expenditures.

6. Subsequent Events

On January 5, 2005, DiamondRock acquired Host LP's rights, title and interest in the Hotel for total consideration of approximately $65 million (including working capital). The Hotel will continue to be managed by a subsidiary of MII under a new management agreement. The significant terms of the new management agreement are as follows:

Term	20 years with two 10-year extensions at MII option
Base Management Fee	3% of gross revenues
Incentive Management Fee	20% above owner priority calculated at 10.75% of total investment
FF&E Escrow Contribution Percentage	5% of gross revenues

Independent Auditors' Report

The Partners
Host Marriott, L.P.:

We have audited the accompanying balance sheets of the Salt Lake City Marriott Downtown (the Hotel), as of October 8, 2004 and January 2, 2004, and the related statements of operations, net assets and cash flows for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003. These financial statements are the responsibility of the management of Host Marriott, L.P. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hotel's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hotel as of October 8, 2004 and January 2, 2004, and the results of its operations and its cash flows for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
McLean, Virginia
January 5, 2005

SALT LAKE CITY MARRIOTT DOWNTOWN

BALANCE SHEETS

(in thousands)

	October 8, 2004	January 2, 2004
ASSETS		
Property and equipment, net	$ 47,863	$ 49,439
Accounts receivable	1,252	735
Inventory	128	125
Prepaid expenses and other assets	7	20
Property improvement fund	3,562	2,898
Cash and cash equivalents	642	156
Total assets	$ 53,454	$ 53,373
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 804	$ 521
Due to Marriott International, Inc.	177	97
Accrued expenses and other liabilities	184	233
Total liabilities	1,165	851
Net assets	52,289	52,522
Total liabilities and net assets	$ 53,454	$ 53,373

See accompanying notes to financial statements.

SALT LAKE CITY MARRIOTT DOWNTOWN

STATEMENTS OF OPERATIONS
(in thousands)

	Period from January 3, 2004 to October 8, 2004	Fiscal years ended January 2, 2004	Fiscal years ended January 3, 2003
Revenues:			
Rooms	$ 11,656	$ 14,504	$ 18,019
Food and beverage	4,618	5,761	7,384
Other	1,286	1,337	1,805
Total revenues	17,560	21,602	27,208
Operating costs and expenses:			
Rooms	2,850	3,479	4,138
Food and beverage	3,283	4,356	5,131
Hotel departmental expenses	5,310	6,427	7,473
Real estate taxes and other taxes	481	614	589
Ground rent	356	408	445
Other expenses	70	113	88
Management fees	527	628	2,092
Depreciation and amortization	1,826	3,222	3,295
Total operating costs and expenses	14,703	19,247	23,251
Operating profit	2,857	2,355	3,957
Income taxes	(325)	(239)	(55)
Net income	$ 2,532	$ 2,116	$ 3,902

See accompanying notes to financial statements.

SALT LAKE CITY MARRIOTT DOWNTOWN

STATEMENTS OF NET ASSETS
(in thousands)

Balance at December 28, 2001	$ 56,894
Net income	3,902
Capital distributions, net	(6,052)
Balance at January 3, 2003	54,744
Net income	2,116
Capital distributions, net	(4,338)
Balance at January 2, 2004	52,522
Net income	2,532
Capital distributions, net	(2,765)
Balance at October 8, 2004	$ 52,289

See accompanying notes to financial statements.

SALT LAKE CITY MARRIOTT DOWNTOWN

STATEMENTS OF CASH FLOWS
(in thousands)

	Period from January 3, 2004 to October 8, 2004	Fiscal years ended January 2, 2004	Fiscal years ended January 3, 2003
Operating Activities:			
Net income	$ 2,532	$ 2,116	$ 3,902
Depreciation and amortization	1,826	3,222	3,295
Changes in operating accounts:			
Accounts receivable	(517)	255	(103)
Due to/from Marriott International, Inc.	80	165	613
Inventory and prepaid expenses	10	53	319
Accounts payable, advanced deposits, accrued expenses and other liabilities	234	(386)	(2,576)
Cash provided by operating activities	4,165	5,425	5,450
Investing Activities:			
Additions to property and equipment, net	(250)	(289)	(384)
Change in property improvement fund	(664)	(937)	(1,015)
Cash used in investing activities	(914)	(1,226)	(1,399)
Financing Activities:			
Capital distributions to owners, net	(2,765)	(4,338)	(6,052)
Increase (decrease) in cash and cash equivalents	486	(139)	(2,001)
Cash and cash equivalents at:			
Beginning of period	156	295	2,296
End of period	$ 642	$ 156	$ 295

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
October 8, 2004 and January 2, 2004

1. Business and Basis of Presentation

The balance sheet and operating accounts of the Salt Lake City Marriott Downtown (the Hotel, as defined below), have been prepared pursuant to the requirements of a purchase and sale agreement between the owner, Host Marriott, L.P. (Host LP) and DiamondRock Hospitality Company (DiamondRock). All of the interests in the Hotel are either directly or indirectly owned by Host LP.

These financial statements present the financial position, results of operations, and the cash flows of the hotel by combining the accounts of Host LP, pertaining to the Hotel, the accounts of the taxable Real Estate Investment Trust subsidiary (TRS) of Host LP, which leases the Hotel and the working capital and operating accounts of the Hotel as of October 8, 2004 and January 2, 2004 and for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003 and, the rental income received by the owner is eliminated against the lease expense of the TRS as well as other inter-entity transactions and balances. Accordingly, these financial statements reflect the financial position, results of operations and cash flows for the Hotel. October 8, 2004 is the end of the tenth accounting period in 2004. The accounting periods are four weeks in duration, and there are 13 periods in a year. All excess cash generated by the Hotel is distributed to the owner of the Hotel.

The Salt Lake City Marriott Downtown (the Hotel), has 510 rooms and is operated under long-term management agreements with Marriott International, Inc. (MII).

2. Summary of Significant Accounting Policies

Basis of Accounting

The assets and liabilities in these financial statements are recorded at their historical costs.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenues

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

Property and Equipment

Property and equipment is recorded at cost. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for building and improvements and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease terms or the estimated useful lives of the assets.

Host LP assesses impairment of real estate properties based on whether it is probable that estimated undiscounted future cash flows from the Hotel property are less than its net book value. If the Hotel property is impaired, a loss is recorded for the difference between the fair value and net book value of the property.

Income Taxes

Provisions for Federal and state income taxes in the accompanying financial statements are based on the pre-tax income of the TRS. The effective tax rate applied to the pre-tax income of the taxable REIT subsidiaries was 38.5% for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003. The full liability related to the pre-tax income is transferred to Host LP and treated as an adjustment to capital distributions in the accompanying financial statements.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at date of purchase are considered cash equivalents.

Property Improvement Fund

The property improvement fund was established pursuant to the management agreement with MII to fund capital expenditures at the Hotel (see note 4).

3. Property and Equipment

Property and equipment consists of the following (in thousands):

	October 8, 2004	January 2, 2004
Building and leasehold improvements	$ 56,880	$ 56,725
Furniture and equipment	13,811	13,725
	70,691	70,450
Less accumulated depreciation	(22,828)	(21,011)
	$ 47,863	$ 49,439

4. Management Agreement

The Hotel is managed by MII pursuant to a long-term management agreement, which expires August 2057, including all renewal periods. Pursuant to the terms of the management agreement, the manager earns a base management fee of 3% of hotel sales and an incentive management fee, which is calculated as available cash flow up to 20% of net house profit, as defined in the management agreement. No incentive management fees were earned in 2003 or 2004. In 2002, the Hotel paid approximately $1.3 million of incentive management fees.

The management agreement provides for the establishment of a property improvement fund to cover the cost of replacements and renewals of furniture and fixtures at the Hotel. Contributions to the property improvement fund are based on 5% of Hotel sales. Contributions to the property improvement fund for the period from January 3, 2004 to October 8, 2004, and the two years ended January 2, 2004 and January 3, 2003 were $.9 million, $1.1 million and $1.4 million, respectively.

5. TRS Lease

The TRS, as the lessee of the Hotel (Lessee), is responsible for paying all of the expenses of operating the Hotel, including all personnel costs, utility costs and general repair and maintenance of the Hotel. The Lessee is also responsible for all fees payable to MII, including base and incentive management fees and chain service payments, with respect to periods covered by the term of the lease. The Lessee is not obligated to bear the cost of any capital improvements or capital repairs to the Hotel or the other expenses borne by Host LP such as real estate taxes, personal property taxes, casualty insurance on the Hotel, required expenditures for replacement of furniture and fixtures (including maintaining the property improvement fund) and capital expenditures.

6. Lease Obligations

The Salt Lake City Marriott is located on a site that is leased from a third party for an initial term that expired on January 30, 2004, and was extended through January 30, 2014. The Hotel currently has options to extend the term for up to four successive terms for ten years each. The lease requires minimum annual rent payments of the greater of $132,000 or percentage rent based on 2.6% of room revenues.

Additionally, the hotel leases a common space which includes an entrance to an adjoining mall. The total minimum rents to be paid from the hotel under a noncancelable operating lease in effect at October 8, 2004, are as follows:

Period from October 9, 2004 to December 31, 2004	$ 2,336
2005	9,343
2006	9,343
2007	9,343
2008	10,277
2009	10,277
Thereafter	87,356
Total	$ 138,275

7. Subsequent Event

On December 15, 2004, DiamondRock acquired Host LP’s rights, title and interest in the Hotel for total consideration of approximately $53.7 million (including working capital). The Hotel will continue to be managed by a subsidiary of MII under the existing management agreement. The significant terms of the management agreement are as follows:

Term	Expires on December 31, 2056
Base Management Fee	3% of gross revenues
Incentive Management Fee	100% above owner priority (sum of ground lease rent, annual debt service and 10% of original owner investment) and is capped at 20% of operating profit.
FF&E Escrow Contribution Percentage	5% of gross revenues

Independent Auditors' Report

The Member
MI Griffin Gate Hotel, LLC:

We have audited the accompanying statements of operations and cash flows of MI Griffin Gate Hotel, LLC (the Company) for the periods from January 3, 2004 to October 8, 2004 and June 26, 2003 (acquisition date) to January 2, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of MI Griffin Gate Hotel, LLC for the periods from January 3, 2004 to October 8, 2004 and June 26, 2003 to January 2, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
McLean, Virginia
January 31, 2005

MI GRIFFIN GATE HOTEL, LLC

STATEMENTS OF OPERATIONS

Periods from January 3, 2004 to October 8, 2004 and June 26, 2003 to January 2, 2004

	January 3, 2004 to October 8, 2004	June 26, 2003 to January 2, 2004
Operating Revenues:		
Rooms	$ 8,850,488	$ 5,508,396
Food and beverage	6,889,089	4,947,385
Telephone and other	2,011,926	1,134,812
Total operating revenues	17,751,503	11,590,593
Direct Costs and Expenses:		
Rooms	2,000,491	1,308,113
Food and beverage	4,820,696	3,480,875
Telephone and Other	1,497,833	993,433
Total direct costs and expenses	8,319,020	5,782,421
Total operating revenues less direct costs and expenses	9,432,483	5,808,172
Operating Expenses:		
Depreciation and amortization	1,814,960	854,901
General and administrative	1,400,911	885,945
Utilities	420,566	269,148
Real estate taxes and other taxes	234,612	179,356
Repairs and maintenance	821,074	595,165
Management fees	532,545	347,718
Marketing	1,177,021	746,794
Other expenses	430,876	256,498
Total operating expenses	6,832,565	4,135,525
Operating income	2,599,918	1,672,647
Interest expense	(2,953,189)	(2,161,799)
Net loss	$ (353,271)	$ (489,152)

See accompanying notes to financial statements.

MI GRIFFIN GATE HOTEL LLC

STATEMENTS OF CASH FLOWS

Periods from January 3, 2004 to October 8, 2004 and June 26, 2003 to January 2, 2004

	January 3, 2004 to October 8, 2004	June 26, 2003 to January 2, 2004
Cash flows from operating activities:		
Net loss	$ (353,271)	$ (489,152)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,814,960	854,901
Changes in operating accounts:		
Accounts receivable, net	(258,094)	201,191
Inventories	(39,020)	(16,303)
Prepaid expenses and other assets	13,238	2,475
Due to/from Marriott International, Inc.	—	(377,411)
Accrued interest	75,207	(572,544)
Accounts payable and accrued expenses	(656,996)	558,382
Net cash provided by operating activities	596,024	161,539
Cash flows from investing activities:		
Additions to property, plant and equipment	(4,942,719)	(1,974,510)
Change in restricted cash	—	118,222
Net cash used in investing activities	(4,942,719)	(1,856,288)
Cash flows from financing activities:		
Member contributions	4,519,546	1,432,649
Principal payments to related party	(332,949)	(44,951)
Advances from related party	68,062	44,000
Net cash provided by financing activities	4,254,659	1,431,698
Net increase decrease in cash and cash equivalents	(92,036)	(263,051)
Cash and cash equivalents at beginning of period	153,136	416,187
Cash and cash equivalents at end of period	$ 61,100	$ 153,136
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,877,982	$ 2,734,343

See accompanying notes to financial statements.

1. Organization

MI Griffin Gate Hotel, LLC (the Company) was formed on May 12, 2003, pursuant to a single member limited liability company agreement for the purpose of acquiring and owning the Griffin Gate Marriott Resort, a 408 room hotel located in Lexington, Kentucky (the Hotel) from Griffin Gate, LLC (GG). The sole member is Marriott Hotel Services, Inc., a wholly owned subsidiary of Marriott International, Inc. (MII). The Hotel commenced operations in 1980. The Hotel is operated under a long-term management agreement with its sole member, Marriott Hotel Services, Inc. (the Manager).

Marriott International Capital Corporation (MICC), a wholly owned subsidiary of MII, was the sole holder of a mortgage loan on the Hotel, as a result of its purchase of the mortgage loan from a third party lender in August 2002. The mortgage loan had a carrying value of $44,714,887 at the date MICC purchased the loan. On June 26, 2003, a settlement agreement was entered into between MICC, the Company and GG and certain individual guarantors, whereby the Hotel was conveyed to the Company, subject to the outstanding debt, which included advances made by MICC (see note 3).

The Manager’s accounting periods are four weeks in duration and there are 13 four-week periods in a year. There are 10 four-week periods included in the period from January 3, 2004 to October 8, 2004. There are approximately seven four-week periods included in the period from June 26, 2003 to January 2, 2004.

On December 22, 2004, the Company sold the Hotel to DiamondRock Hospitality Company (DiamondRock) for total consideration of approximately $49,800,000. DiamondRock is 14.3% owned by MII. The Hotel continues to be managed by the same company under a new management agreement (New Management Agreement). The significant terms of the New Management Agreement are as follows:

Description	Term
Term	20 years with one 10-year extension at Manager option
Base Management Fee	3% of gross revenues
Incentive Management Fee	20% above owner priority of the sum of $5.5 million and 10.75% of certain capital expenditures
FF&E Escrow Contribution Percentage	5%, commencing in 2006

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Real Estate

Property and equipment is recorded at the estimated fair value on the date conveyed to the Company and was allocated to land, buildings and improvements and furniture, fixtures and equipment in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*. Property and equipment purchased after the hotel acquisition date is recorded at cost. Replacements and improvements since June 2003 are capitalized, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of an asset, the cost and related accumulated depreciation will be removed from the Company's accounts and any resulting gain or loss will be included in the statements of operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 30 years for building and improvements and three to ten years for fixtures and equipment.

Impairment of Long-Lived Assets

In the event that facts or changes in circumstances indicate that the carrying amount of the Hotel may be impaired, an evaluation of recoverability is prepared. In such an event, a comparison is made of the projected future operating cash flows of such Hotel on an undiscounted basis to the carrying amount of the Hotel. If such sum is less than the depreciated cost of the property, the Hotel is written down to its estimated fair market value.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Room revenue is recognized on a day-to-day basis when the services have been rendered. Food and beverage and all other revenue are recognized when the services have been rendered. A provision for possible bad debts is made when collection of receivables is considered doubtful.

Income Taxes

Income taxes are recognized as if the Company were a separate taxable entity and pursuant to Statement of Financial Accounting Standards No. 109*, Accounting for Income Taxes.*

Deferred income taxes represent the tax consequences on future years of differences between the tax and financial reporting bases of assets and liabilities. Deferred income taxes consist mainly of net operating loss carryforwards. Based on the continuing losses of the Company and projections of the future operations, there is substantial doubt about the ability of the Company to utilize the net operating loss carryforwards on a separate company basis. Accordingly, a valuation allowance has been recorded to reduce the carrying value of the deferred tax asset to zero at January 2, 2004 and October 8, 2004 and therefore, there is no net tax benefit recorded in the accompanying statements of operations in either period presented.

3. Related Party Obligations

On August 6, 1995, GG closed on a bond financing with a third party lender in the amount of $48,000,000, with a maturity in August 2005 and a fixed interest rate of 6.75%. The financing was backed by a letter of credit, draws on which were to be re-paid by GG and, if not, then paid by a third party lender and MICC on an equal basis with such payments (and certain other advances and payments) secured by a first mortgage lien on the Hotel. MICC purchased the mortgage loan from a third party lender in August 2002, at which time the amount secured by the mortgage equaled $44,714,887. Upon acquiring the Hotel on June 26, 2003, the Company assumed (i) the outstanding principal and interest obligation with a carrying amount of $43,889,981, which included $796,703 of accrued interest and (ii) the obligations to repay other advances that MICC had made to GG, which was $1,491,422, including accrued interest of $4,944, with such advances subject to interest rates ranging from 2.9% to 4.75%, all of which amounts had a maturity date in August 2005.

Subsequent to August 2002, distributions of the Hotel's operating profits were applied against outstanding interest and principal pro rata between the mortgage loan and the other advances. Total interest expense incurred from January 3, 2004 to October 8, 2004, and from June 26, 2003 to January 2, 2004 was $2,953,189 and $2,161,799, respectively.

In December 2004, upon the sale to DiamondRock, all related party obligations were repaid in full.

4. Management Agreement

The Hotel was formerly operated under a long-term management agreement (Prior Management Agreement). Pursuant to the terms of the Prior Management Agreement, the Manager earned a base management fee, which was calculated as 3% of Hotel sales. In addition, the Manager earned an incentive management fee, which was calculated as 20% of operating profit, but paid out of operating profit in excess of owner's priority, as defined in the Prior Management Agreement. There were no incentive fees paid in any of the periods presented.

The Prior Management Agreement provided for the establishment of a property improvement fund to cover the cost of replacements and renewals of furniture and fixtures at the Hotel. Contributions to the property improvement fund were calculated as a percentage (5%) of Hotel sales.

Pursuant to the terms of the Prior Management Agreement, the owner of the Hotel was required to provide the Manager with working capital and supplies to meet the operating needs of the Hotel. The Company assumed the working capital deficit of approximately $1,200,000 upon acquisition of the Hotel on June 25, 2003.

6. Leases

The Company is currently obligated under several non-cancelable operating lease agreements for computers and office equipment that expire between 2005 and 2008. Future minimum lease payments required under these non-cancelable operating leases as of October 8, 2004 are as follows:

October 9, 2004 through December 31, 2004	$ 38,595
2005	125,528
2006	59,714
2007	7,464
2008	7,464
	$ 238,765

7. Commitments and Contingencies

The Company is involved from time to time in litigation arising in the normal course of business, none of which is expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Independent Auditors' Report

Marriott International, Inc.:

We have audited the accompanying statements of operating revenues, direct costs and certain operating expenses—accounts maintained by Marriott International, Inc. and cash flows—accounts maintained by Marriott International, Inc. for the Griffin Gate Marriott Resort (the Hotel) for the period from January 4, 2003 to June 25, 2003 and for the fiscal year ended January 3, 2003. These financial statements are the responsibility of Marriott International, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2, the accompanying financial statements exclude certain expenses and cash flows and therefore, are not a complete presentation of the Hotel's expenses and cash flows.

In our opinion, the financial statements referred to above present fairly, in all material respects, the operating revenues, direct costs and certain operating expenses and cash flows of the Hotel for accounts maintained by Marriott International, Inc. (described in note 2) for the period from January 4, 2003 to June 25, 2003 and for the fiscal year ended January 3, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
McLean, Virginia
January 31, 2005

GRIFFIN GATE MARRIOTT RESORT

STATEMENTS OF OPERATING REVENUES, DIRECT COSTS AND CERTAIN OPERATING EXPENSES—ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.

Period from January 4, 2003 to June 25, 2003 and Fiscal Year Ended January 3, 2003

	January 4, 2003 to June 25, 2003	Fiscal Year ended January 3, 2003
Operating Revenues:		
Rooms	$ 5,158,786	$ 10,550,849
Food and beverage	4,110,098	9,082,224
Telephone and other	1,108,585	2,492,105
Total operating revenues	10,377,469	22,125,178
Direct Costs:		
Rooms	1,215,778	2,542,726
Food and beverage	3,004,883	6,396,151
Telephone and Other	835,180	1,924,179
Total direct costs	5,055,841	10,863,056
Total operating revenues less direct costs	5,321,628	11,262,122
Certain Operating Expenses:		
General and administrative	805,742	1,577,173
Utilities	259,741	500,679
Real estate taxes and other taxes	154,761	337,350
Repairs and maintenance	578,868	1,140,122
Management fees	311,324	663,756
Marketing	636,765	1,229,493
Lease expense	78,548	209,181
Other expenses	173,276	364,560
Total certain operating expenses	2,999,025	6,022,314
Excess of operating revenues over direct costs and certain operating expenses	$ 2,322,603	$ 5,239,808

See accompanying notes to financial statements.

GRIFFIN GATE MARRIOTT RESORT

STATEMENTS OF CASH FLOWS— ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.

Period from January 4, 2003 to June 25, 2003 and Fiscal Year Ended January 3, 2003

	January 4, 2003 to June 25, 2003	Fiscal Year ended January 3, 2003
Cash flows from operating activities:		
Excess of operating revenues over direct costs and certain operating expenses	$ 2,322,603	$ 5,239,808
Adjustments to reconcile the excess of operating revenues over direct costs and certain operating expenses to net cash provided by operating activities:		
Changes in operating accounts:		
Accounts receivable, net	(580,517)	(370,219)
Prepaid expenses and other assets	57,894	2,620
Accounts payable and accrued expenses	(33,267)	59,690
Due to Marriott International, Inc.	175,670	416,338
Due to fund for replacement of and additions to furnishings and equipment	(9,050)	161,811
Net cash provided by operating activities	1,933,333	5,510,048
Net cash used provided by (used in) investing activities—change in restricted cash	(25,510)	5,669
Net cash used in financing activities—cash distributions to owner	(1,802,889)	(5,312,689)
Net increase in cash and cash equivalents	104,934	203,028
Cash and cash equivalents at beginning of period	311,253	108,225
Cash and cash equivalents at end of period	$ 416,187	$ 311,253

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
ACCOUNTS MAINTAINED BY MARRIOTT INTERNATIONAL, INC.
Period from January 4, 2003 to June 25, 2003 and Fiscal Year Ended January 3, 2003

1. Organization

Griffin Gate, LLC (GG) was formed pursuant to a limited liability company agreement for the purpose of acquiring and owning the Griffin Gate Marriott Resort, a 408 room hotel located in Lexington, Kentucky (the Hotel). MI Griffin Gate Hotel, LLC (the Company), whose sole member is Marriott Hotel Services, Inc., a wholly owned subsidiary of Marriott International, Inc. (MII) acquired the Hotel from GG on June 26, 2003. Prior to the acquisition by the Company, the Hotel was operated under a long-term management agreement with the Company's sole member, Marriott Hotel Services, Inc. (the Manager). On December 22 2004, MII sold the Hotel to DiamondRock Hospitality Company (DiamondRock) for total consideration of approximately $49,800,000. DiamondRock is 14.3% owned by MII. The Hotel continues to be managed by Marriott Hotel Services, Inc. under a new management agreement, with similar terms.

These financial statements are for the Hotel for the period from January 4, 2003 to June 25, 2003 and for the fiscal year ended January 3, 2003 and represent periods prior to the acquisition by the Company. There are 53 weeks included in the fiscal year ended January 3, 2003. There are approximately six four-week periods included in the financial statements from January 4, 2003 to June 25, 2003. The Manager's accounting periods are four weeks in duration and there are 13 periods in a year.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying statements of operating revenues, direct costs and certain operating expenses and cash flows include only the accounts maintained by the Manager and, accordingly, do not include charges for depreciation and interest expense, any expenses paid directly by GG or any income tax accounts, which are the liabilities of the members of GG. As a result, the accompanying financial statements are not intended to be a complete presentation of the Hotel's expenses and cash flows. Accordingly, the expenses may not be comparable to the expenses that may be incurred by the Hotel in the future and the cash flows may not be comparable to the cash flows of the Hotel in the future.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Revenue Recognition

Room revenue is recognized on a day-to-day basis when the services have been rendered. Food and beverage and all other revenue are recognized when the services have been rendered. A provision for possible bad debts is made when collection of receivables is considered doubtful.

3. Management Agreement

The Hotel is managed by Marriott Hotel Services, Inc., the sole member of the Company. Pursuant to the terms of the management agreement, the Manager earns a base management fee, which is calculated as 3% of Hotel sales. In addition, the Manager earns an incentive management fee, which is calculated as 20% of operating profit, but paid out of operating profit in excess of owner's priority, as defined in the management agreement. There were no incentive fees paid in any of the periods presented.

The management agreement provides for the establishment of a fund for replacement of and additions to furnishings and equipment (the Fund) to cover the cost of replacements and renewals of furniture and fixtures at the Hotel. Contributions to the Fund are restricted and were calculated as 5% of Hotel sales.

As discussed in note 1, subsequent to the acquisition by the Company, and subsequently, DiamondRock, the Hotel continues to be managed by Marriott Hotel Services, Inc., under a new management agreement with similar terms.

4. Commitments and Contingencies

The Hotel is involved from time to time in litigation arising in the normal course of business, none of which is expected to have a material adverse effect on the Hotel's financial statements.

5. Leases

The Manager is currently obligated under several non-cancelable operating lease agreements for computers and office equipment that expire between 2005 and 2008. Future minimum lease payments required under these non-cancelable operating leases as of June 25, 2003 are as follows:

June 26, 2003 to December 31, 2003	$ 77,190
2004	154,379
2005	125,528
2006	59,714
2007	7,464
Thereafter	7,464
	$ 431,739

Independent Auditors' Report

The Partners
Rock Spring Park Hotel Limited Partnership:

We have audited the accompanying balance sheets of Rock Spring Park Hotel Limited Partnership as of October 8, 2004 and January 2, 2004 and the related statements of operations, partners' deficit and cash flows for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003. These financial statements are the responsibility of Rock Spring Park Hotel Limited Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rock Spring Park Hotel Limited Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Rock Spring Park Hotel Limited Partnership as of October 8, 2004 and January 2, 2004, and the results of its operations and its cash flows for the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
McLean, Virginia
December 15, 2004

ROCK SPRING PARK HOTEL LIMITED PARTNERSHIP

BALANCE SHEETS

October 8, 2004 and January 2, 2004

	October 8, 2004	January 2, 2004
ASSETS		
Property and equipment, net	$ 21,968,021	$ 22,848,801
Cash	1,181,673	—
Restricted cash	283,672	539,475
Due from Marriott—landlord priority	447,852	143,409
Due from Marriott—escrow deposit	12,977	84,714
Other receivables	—	497,847
Deferred costs, net	599,923	623,653
Working capital deposits due from manager	100,000	100,000
Prepaid expenses and other assets	57,330	27,280
Total assets	$ 24,651,448	$ 24,865,179
LIABILITIES AND PARTNERS' DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	$ 69,867	$ 169,536
Note payable, partners	6,182,532	6,182,532
Note payable, related party	11,518,266	11,518,266
Accrued interest, partners	1,894,102	1,780,094
Accrued interest, related party	559,998	253,413
Ground rent payable	92,556,582	88,317,067
Note payable, Montgomery County	51,569	55,103
Mortgage payable	19,910,776	20,311,397
Total liabilities	132,743,692	128,587,408
Partners' deficit	(108,092,244)	(103,722,229)
Total liabilities and partners' deficit	$ 24,651,448	$ 24,865,179

See accompanying notes to financial statements.

ROCK SPRING PARK HOTEL LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

Period from January 3, 2004 to October 8, 2004 and Fiscal Years Ended January 2, 2004 and January 3, 2003

	Period From January 3, 2004 to October 8, 2004	Fiscal Year Ended January 2, 2004	Fiscal Year Ended January 3, 2003
Rental Income	$ 3,671,572	$ 4,244,080	$ 4,250,501
Operating expenses:			
Repairs and maintenance	245,058	93,389	14,500
Ground rent	4,501,494	5,870,715	5,870,715
Consulting fees	69,341	79,741	80,145
Other expenses, net	39,795	29,477	54,216
Depreciation and amortization	1,052,588	1,381,187	1,372,361
Total operating expenses	5,908,276	7,454,509	7,391,937
Operating income	(2,236,704)	(3,210,429)	(3,141,436)
Non-operating income (expenses):			
Mortgage interest	(1,192,782)	(1,577,939)	(1,611,207)
Interest on note payable, Montgomery County	(3,747)	(3,972)	(4,182)
Interest on notes and loan payable, partners	(339,010)	(438,789)	(438,789)
Interest on notes payable, related party	(631,585)	(817,477)	(817,477)
Interest income	33,813	21,100	19,829
Total non-operating expenses	(2,133,311)	(2,817,077)	(2,851,826)
Net loss	$ (4,370,015)	$ (6,027,506)	$ (5,993,262)

See accompanying notes to financial statements.

ROCK SPRING PARK HOTEL LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' DEFICIT

Period from January 3, 2004 to October 8, 2004 and Fiscal Years Ended January 2, 2004 and January 3, 2003

Balance at January 1, 2002	$ (91,701,461)
Net loss	(5,993,262)
Balance at January 3, 2003	(97,694,723)
Net loss	(6,027,506)
Balance at January 2, 2004	(103,722,229)
Net loss	(4,370,015)
Balance at October 8, 2004	$ (108,092,244)

See accompanying notes to financial statements.

ROCK SPRING PARK HOTEL LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

Period from January 3, 2004 to October 8, 2004 and Fiscal Years Ended January 2, 2004 and January 3, 2003

	Period From January 3, 2004 to October 8, 2004	Fiscal Year Ended January 2, 2004	Fiscal Year Ended January 3, 2003
Cash flow from operating activities:			
Net loss	$ (4,370,015)	$ (6,027,506)	$ (5,993,262)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,052,588	1,381,187	1,372,361
Straight-line rent adjustment	4,239,515	5,519,243	5,537,566
Payment of accrued interest, on partners loans	(225,000)	(664,881)	(363,930)
Accrued interest on partners loans	339,008	438,789	438,789
Payments of accrued interest on related party loan	(325,000)	(1,035,115)	(586,070)
Accrued interest on related party loan	631,585	817,477	817,477
Changes in assets and liabilities:			
Due from Marriott—landlord priority	(304,443)	—	—
Other receivables	497,847	(491,687)	7,117
Prepaid ground rent	(30,050)	731	(1,461)
Accounts payable and accrued expenses	(78,053)	(82,928)	85,547
Net cash provided by (used in) operating activities	1,427,982	(144,690)	1,314,134
Cash flows from investing activities:			
Additions to property and equipment	(148,078)	(251,435)	(504,283)
Restricted cash—Improvement escrows	255,803	(176,835)	(63,690)
Due from Marriott—escrow deposit	71,737	64,840	12,458
Net cash provided by (used in) investing activities	179,462	(363,430)	(555,515)
Cash flow from financing activities:			
Principal repayments on note payable, Montgomery County	(3,534)	(3,306)	(3,097)
Bank overdraft charge	(21,616)		
Principal repayments on mortgage loan	(400,621)	(447,954)	(414,899)
Net cash used in financing activities	(425,771)	(451,260)	(417,996)
Net increase (decrease) in cash	1,181,673	(959,380)	340,623
Cash, beginning of period	—	959,380	618,757
Cash, end of period	$ 1,181,673	—	959,380
Supplemental Disclosure of Cash Flow Information:			
Cash paid for Interest	$ 1,582,178	$ 3,277,939	$ 2,561,207

See accompanying notes to financial statements.

1. Organization

Rock Spring Park Hotel Limited Partnership (the "Partnership") was formed on April 28, 1988, pursuant to a limited partnership agreement (the "Agreement") under the laws of the State of Maryland for the purpose of developing and owning the Marriott Bethesda Suites, a 274-room suite hotel located in Bethesda, Maryland (the "Hotel"). The Hotel has been operated pursuant to a long-term operating lease agreement with Marriott International, Inc ("MII") since the Hotel's opening in 1990. The Agreement provides for the Partnership's profits and losses to be allocated to each partner based on their ownership interest in the Partnership. Distributions are made to the partners at times and in aggregate amounts determined by the general partner.

There are 53 weeks included in the period ended January 2, 2003 and there are 52 weeks included in the period ended January 3, 2004. October 8, 2004 is the end of the MII's tenth accounting period in 2004. MII's accounting periods are four weeks in duration and there are 13 periods in a year.

In October, 2004, the partners of the partnership entered into an agreement with a subsidiary of DiamondRock Hospitality Company ("DiamondRock") for the sale of all of the equity interests in the Partnership for cash consideration of approximately $41,700,000. The acquisition closed on December 15, 2004. DiamondRock assumed the Mortgage note but did not assume the related party liabilities except that DiamondRock did assume the ground lease with 83 years remaining in the term including the rental increases of 5.5% per annum. The Hotel will be managed by a subsidiary of MII under a new management agreement. The significant terms of the management agreement with DiamondRock are as follows:

Description	Term
Term	20 years with two 10-year extensions at Manager option
Base Management Fee	3% of gross revenues
Incentive Management Fee	50% above owner priority of 7.5% of total investment
FF&E Escrow Contribution Percentage	5%

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Property and Equipment

Property and equipment is recorded at historical cost, including capitalized interest and real estate taxes incurred during development and construction. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 39 years for building and improvements and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the assets.

Impairment of Long-Lived Assets

In the event that facts or changes in circumstances indicate that the carrying amount of the Hotel may be impaired, an evaluation of recoverability is prepared. In such an event, a comparison is made of the current and projected operating cash flows of such Hotel on an undiscounted basis to the carrying amount of the Hotel. If such sum were less than the depreciated cost of the property, the Hotel would be written down to its estimated fair market value. No impairment write-downs were recorded in any of the periods presented.

Cash

The Partnership considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents in any period.

Revenue Recognition

Rental income is recognized by the Partnership as earned pursuant to its lease to MII (See Notes 6 and 9).

Income Taxes

Provisions for Federal and state income taxes have not been made in the accompanying financial statements since the Partnership does not pay income taxes but rather allocates its profits and losses to the individual partners. Significant differences exist between the net income (loss) for financial reporting purposes and the taxable income (loss) reported in the Partnership's tax return. These differences are primarily due to the use, for income tax purposes, of accelerated depreciation methods and shorter depreciable lives of the assets.

3. Property and Equipment

Property and equipment consists of the following:

	October 8, 2004	January 2, 2004
Land improvements	$ 484,948	484,948
Building	31,960,278	31,960,278
Furniture, fixtures and equipment	6,591,019	6,545,544
Artwork	107,161	107,161
	39,143,406	39,097,931
Less: accumulated depreciation	17,175,385	16,249,130
	$ 21,968,021	22,848,801

Total depreciation expense for the periods ended October 8, 2004, January 2, 2004 and January 3, 2003 was $1,028,856, $1,350,360 and $1,341,534, respectively.

4. Deferred Costs

Deferred costs consist of the following:

	October 8, 2004	January 2, 2004
Loan costs and fees	$ 417,718	$ 417,718
Lease acquisition costs—brokerage fees	500,000	500,000
	917,718	917,718
Less: accumulated amortization	317,795	294,065
	$ 599,923	$ 623,653

Total amortization expense for the periods ended October 8, 2004, January 2, 2004 and January 3, 2003 was $23,732, $30,827 and $30,827, respectively.

5. Debt

The Partnership is obligated under a mortgage loan in the original principal amount of $22,500,000 (the Mortgage Loan) which is secured by the Partnership's property and equipment. The Mortgage Loan has a term of 25 years with a maturity date of February 1, 2023. The Mortgage Loan bears interest at 7.69% per annum and requires monthly principal and interest payments of $168,878. The Mortgage Loan includes a prepayment penalty if repaid prior to 2013 of the greater of 1% of the principal amount outstanding or the yield maintenance premium in relation to the prepayment. Required principal payments are summarized as follows:

Period	Amount
October 9, 2004—December 31, 2004	$ 83,201
2005	522,173
2006	563,774
2007	608,689
2008	657,183
2009	709,540
Thereafter	16,766,216
	$ 19,910,776

6. Operating Lease Agreement

The Hotel is operated under a long-term operating lease agreement, which expires in December 2025 (the "Lease"). The Lease provides for two ten-year renewal terms at the option of the Lessee. The annual rental is calculated as the sum of: 1) the Landlord Priority, as defined, 2) the amount required to fund the contribution to the property improvement fund (as discussed below) and 3) 50% of remaining net house profit. The Landlord Priority is an amount equal to the interest on the sum of the Partnership's total development and loan procurement costs at the effective interest rate of the Mortgage Loan plus annual ground rent, plus amortization at 10% of the development and loan procurement costs. For all periods presented, the Landlord Priority plus the required contribution to the property improvement fund exceeded net house profit so the lease revenue equaled net house profit.

The Lease provides for the establishment of a property improvement fund which is restricted to replacements and renewals of furniture and fixtures at the Hotel. Contributions to the property improvement fund are restricted and are 5% of Hotel sales. The required contributions for the period from January 3, 2004 to October 8, 2004 and each of the fiscal years ended January 2, 2004 and January 3, 2003 were $597,000, $728,936 and $688,814, respectively. The actual contributions to the property improvement fund, for the period from January 3, 2004 to October 8, 2004 and each of the fiscal years ended January 2, 2004 and January 3, 2003 were $119,400, $567,013 and $615,024, respectively. The funding shortfalls of $477,600, $161,923 and 73,790 for the period ended October 8, 2004, January 2, 2003 and January 3, 2002, respectively, and $713,313 in total, is required to be made up in subsequent years provided cash flow from operations is sufficient. Following acquisition of the partnership by DiamondRock, the lease was replaced by a management agreement between a DiamondRock subsidiary and the lessee providing the lessee with substantially the same economic benefits as the lease.

Pursuant to the terms of the lease agreement, the owner of the Hotel is required to provide the manager with working capital and supplies to meet the operating needs of the Hotel. Working capital advances were $100,000 at October 8, 2004, January 2, 2003 and January 3, 2002 and are summarized as follows:

	October 8, 2004	January 2, 2004
Assets:		
Cash	$ 564,117	$ 393,281
Escrow	308,302	562,993
Other receivables	439,015	157,272
Inventory	58,095	41,661
Other assets	17,825	14,808
Less Liabilities:		
Trade payables	359,150	292,119
Sales and use tax	130,897	73,407
Rent payable	447,850	583
Payable to Escrow	266,412	562,993
Other payables	83,045	140,913
Working capital, net	$ 100,000	$ 100,000

7. Commitments and Contingencies

The Partnership is involved from time to time in litigation arising in the normal course of business, none of which is expected to have a material adverse effect on the Partnership's financial position, results of operations or cash flows.

The Partnership has 20-year commitment with the Montgomery County, Maryland Department of Transportation which requires the Partnership to contribute approximately $7,000 per annum towards the construction of a local bridge through July 2014. The obligation was recorded at the present value of the required payments at a discount rate of 6.8% per annum.

8. Related Party Transactions

The Partnership has entered into various transactions with related parties. A description of these related party transactions is as follows:

- The Partnership borrowed funds from certain partners of the Partnership and Charles E. Smith Management, Inc. These borrowings are represented by notes payable. These notes bear interest at 7% per annum and are due upon demand. The Partnership paid interest of $225,000, $664,881 and $363,930 to the partners during the period from January 3, 2003 to October 8, 2004, and the fiscal years ended January 2, 2004 and January 3, 2003, respectively. The Partnership paid interest of $325,000, $1,035,115 and $586,070 to the Charles E. Smith Management, Inc. during the period from January 3, 2003 to October 8, 2004, and the fiscal years ended January 2, 2004 and January 3, 2003, respectively. These notes were not assumed by DiamondRock as part of its purchase of the Partnership interests on December 15, 2004.
- The Partnership has a ground lease with several of the limited partners in the Partnership under a 99-year lease that expires in April 2087. The ground rent increases 5.5% annually. In accordance with U.S. generally accepted accounting principles annual rent expense is computed based on straight-lining the total minimum lease payments over the term of the lease (99 years). Ground rent expense was $4,501,494, $5,844,225 and $5,868,052 during the period from January 3, 2003 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003, respectively.

Future minimum ground lease payments are as follows:

Year ending December 31:		
2005	$	391,197
2006		412,713
2007		435,412
2008		459,360
2009		484,625
Total	$	2,183,307

- The Partnership has an agreement with Charles E. Smith Real Estate Services L.P. ("CESRES") to provide consulting services. The agreement expires in March 2008. The consulting fees are calculated based on a percentage of Hotel net house profit. CESRES consulting fees were $69,341, $79,741 and $80,145 during the period from January 3, 2004 to October 8, 2004 and the fiscal years ended January 2, 2004 and January 3, 2003, respectively.
- CESRES maintains the cash for the Partnership as well as other affiliated partnerships for which it provides property management services. CESRES advanced $21,616 to the Partnership at January 2, 2004.

9. Rental Income

The Rental Income of the Partnership is calculated based on hotel net house profit, which is summarized as follows:

	Period From January 3, 2004 to October 8, 2004	Fiscal Year Ended January 2, 2004	Fiscal Year Ended January 3, 2003
Hotel Sales			
Rooms	$ 8,886,554	$ 10,918,291	$ 10,031,484
Food and Beverage	2,650,594	3,166,027	3,049,639
Telephone and Other	402,878	494,398	695,160
Total hotel sales	11,940,026	14,578,716	13,776,283
Operating costs and expenses			
Rooms	2,109,683	2,781,624	2,555,387
Food and Beverage	2,365,572	2,957,412	2,657,588
Telephone and Other	254,381	314,556	252,977
General and administrative	901,166	1,012,055	1,021,640
Utilities	435,576	457,469	465,904
Real estate taxes and other taxes	386,666	490,943	476,821
Repairs and maintenance	501,320	628,690	611,491
Management fees	358,201	437,361	413,288
Marketing	737,953	959,089	836,384
Insurance	21,483	36,726	45,717
Other expenses	196,453	258,711	188,585
Total Operating Costs and Expenses	8,268,454	10,334,636	9,525,782
Net House Profit	$ 3,671,572	$ 4,244,080	$ 4,250,501

Room revenue is recognized on a day-to-day basis when the services have been rendered. Food and beverage and all other revenue are recognized when the services have been rendered.

Pursuant to the Lease (See Note 6) the net house profit is allocated first to the landlord priority and the improvement escrow with any remainder being split 50% to the lessor and 50% to the lessee for all periods:

	Period From January 3, 2004 to October 8, 2004	Fiscal Year Ended January 2, 2004	Fiscal Year Ended January 3, 2003
Net House Profit	$ 3,671,572	$ 4,244,080	$ 4,250,501
Landlord priority	3,552,172	3,677,067	3,635,477
Excess available to improvement escrow	$ 119,400	$ 567,013	$ 615,024
Calculated escrow requirement	$ 597,000	$ 728,936	$ 688,814
Begining cumulative shortfall	235,713	73,790	—
Escrow shortfall	477,600	161,923	73,790
Cumulative shortfall	$ 713,313	$ 235,713	$ 73,790

Independent Auditors' Report

The Members
Fifth Avenue Hospitality Associates, LLC:

We have audited the accompanying statements of operations and cash flows of Fifth Avenue Hospitality Associates, LLC (the Company) for the nine month period ended September 30, 2004 and each of the two years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Fifth Avenue Hospitality Associates, LLC for the nine month period ended September 30, 2004 and each of the two years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
McLean, Virginia
January 17, 2005

FIFTH AVENUE HOSPITALITY ASSOCIATES, LLC

STATEMENTS OF OPERATIONS

Nine months ended September 30, 2004 and Years ended December 31, 2003 and 2002

	Nine months ended September 30, 2004	Years ended December 31, 2003	2002
Total operating revenues			
Rooms	$ 5,981,915	$ 7,133,976	$ 7,842,067
Rental income	95,690	126,072	122,636
Other	158,447	223,228	245,716
Total operating revenues	6,236,052	7,483,276	8,210,419
Operating expenses			
Rooms	2,267,577	2,649,077	2,680,146
Telephone	56,245	76,290	90,981
Depreciation and amortization	975,211	1,245,583	1,231,337
General and administrative	640,560	671,945	628,320
Utilities	230,830	277,296	227,275
Real estate and other taxes	600,434	804,136	705,883
Repairs and maintenance	359,923	419,159	436,782
Management fees	124,559	149,529	164,192
Marketing	230,000	266,656	262,573
Franchise fees	156,693	237,194	245,588
Insurance	110,338	111,786	120,400
Ground lease	807,704	1,076,938	1,076,938
Other income (expenses), net	(4,186)	19,522	136,682
Total operating expenses	6,555,888	8,005,111	8,007,097
Operating (loss) income	(319,836)	(521,835)	203,322
Interest expense	1,043,634	1,825,976	2,009,310
Change in fair values of swaps	429,843	728,200	(312,013)
Net loss	$ (933,627)	$ (1,619,611)	$ (2,118,001)

See accompanying notes to financial statements.

FIFTH AVENUE HOSPITALITY ASSOCIATES, LLC

STATEMENTS OF CASH FLOWS

Nine months ended September 30, 2004 and Years ended December 31, 2003 and 2002

	Nine months ended September 30, 2004	Years ended December 31, 2003	2002
Cash flows from operating activities:			
Net loss	$ (933,627)	$ (1,619,611)	$ (2,118,001)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	975,211	1,245,583	1,231,337
Amortization of deferred financing costs as interest expense	92,016	184,035	291,190
Straight-line rent adjustment	207,704	276,938	276,938
Change in fair value of swaps	(429,843)	(728,200)	312,013
Changes in assets and liabilities:			
Accounts receivable, net	(14,566)	53,125	(188,199)
Prepaid expenses	265,603	(474,683)	331,084
Deposits	(1,750)	(256)	—
Accounts payable—trade	(84,141)	(118,003)	138,552
Accrued taxes	55,123	(2,863)	(39,075)
Accrued salaries and benefits	54,705	(61,132)	98,754
Advance deposits	23,832	(61,460)	62,612
Accrued interest	(147,591)	20,213	(56,560)
Net cash provided by (used in) operating activities	62,676	(1,286,314)	340,645
Cash flows from investing activities:			
Additions to furniture, fixtures, and equipment	(190,047)	(87,252)	(21,907)
Cash flows from financing activities:			
Mortgage payable repayments	(70,360)	—	(3,500,000)
Capital contribution	625,000	1,075,000	3,894,818
Net cash provided by financing activities	554,640	1,075,000	394,818
Net increase (decrease) in cash and cash equivalents	427,269	(298,566)	713,556
Cash and cash equivalents at the beginning of period	1,144,975	1,443,541	729,985
Cash and cash equivalents at the end of period	$ 1,572,244	$ 1,144,975	$ 1,443,541
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 1,099,209	$ 1,621,728	$ 1,774,770

See accompanying notes to financial statements.

1. Organization

Fifth Avenue Hospitality Associates, LLC (the "Fifth Avenue") owned the 189 room Hotel 5A, formerly known as the Clarion Hotel Fifth Avenue (the "Hotel") located at 3 East 40th Street, New York, New York until the Hotel was acquired by DiamondRock Hospitality Company ("DiamondRock") for cash consideration of approximately $39,600,000. The acquisition closed on December 20, 2004. DiamondRock did not assume the Mortgage note but did assume the ground lease with 33 years remaining. The Hotel was converted to a Courtyard by Marriott in January 2005 and is managed by a subsidiary of MII under a new management agreement. The significant terms of the management agreement with DiamondRock are as follows:

Description	Term
Term	25 years
Base Management Fee	5% of gross revenues
Incentive Management Fee	25% above owner priority of 12% of total investment
FF&E Escrow Contribution Percentage	2% of gross revenues

Prior to the DiamondRock acquisition the Hotel was operated under a management agreement with Tishman Hotel Corporation (the "Manager").

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment is recorded at historical cost. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 39 years for building and improvements and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the assets.

Impairment of Long-Lived Assets

In the event that facts or changes in circumstances indicate that the carrying amount of the Hotel may be impaired, an evaluation of recoverability would be prepared. In such an event, a comparison is made of the projected future operating cash flows and proceeds from projected disposition of such Hotel on an undiscounted basis to the carrying amount of the Hotel. If such sum were less than the depreciated cost of the property, the Hotel would be written down to its estimated fair market value. No impairment write-downs were recorded in any of the periods presented.

Cash

The Partnership considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Revenues from operations of the hotel are recognized when the services are provided. Revenues consist of room sales and other departmental revenues such as telephone and vending machine. A provision for possible bad debts is made when collection of receivables is considered doubtful.

Income Taxes

Provisions for Federal and state income taxes have not been made in the accompanying financial statements since Fifth Avenue does not pay income taxes but rather allocates its profits and losses to the individual members. Differences exist between the net income (loss) for financial reporting purposes and the taxable income (loss) reported in the Fifth Avenue's tax return. These differences are primarily due to the use, for income tax purposes, of accelerated depreciation methods and shorter depreciable lives of the assets.

3. Debt

Fifth Avenue was obligated under a mortgage loan in the original principal amount of $23,000,000 which was secured by Fifth Avenue's real estate. The mortgage loan matured in June 2004 and was extended for a one year period. The outstanding balance on September 31, 2004 was $19,429,640. The mortgage loan bore interest at LIBOR + 275 basis points per annum. At September 30, 2004 the interest rate was 5.04%.

DiamondRock Hospitality Company did not assume the mortgage loan.

Fifth Avenue had an interest rate swap which fixed the interest rate at 6.79%. The fair value of the swap was a liability of $846,030, $1,158,043 and $429,843 at December 31, 2001, 2002 and 2003. Fifth Avenue did not designate this swap as an accounting hedge so the change in fair value is recorded as interest expense. The swap expired on June 1, 2004.

4. Commitments and Contingencies

Fifth Avenue is involved from time to time in litigation arising in the normal course of business, none of which is expected to have a material adverse effect on Fifth Avenue's results of operations or cash flows.

5. Ground Lease

The Hotel is located on a site that is leased from a third party for an initial term that expires on September 30, 2036. Fifth Avenue had the option to extend the term for an additional 49-year period. The ground lease has periodic step increases. In accordance with generally accepted accounting principles in the United States of America, annual rent expense is computed based on a straight-line basis over the initial term of the lease (36 years). Ground rent expense was $807,703, $1,076,937 and $1,076,937 for the nine month period ended September 30, 2004, and the years ended December 31, 2003 and December 31, 2002, respectively. Payments under the lease were $600,000 for the nine months ended September 30, 2004 and $800,000 for each of the years ended December 31, 2003 and 2002. DiamondRock assumed the ground lease on December 20, 2004 with 32 years remaining on the lease.

6. Management Agreement

Pursuant to the terms of the management agreement, the Manager earned a base management fee, calculated as 2% of Hotel sales. In addition, the Manager earned an incentive management fee calculated as 20% of the increase, if any of the adjusted NOI for such Incentive Fee Operating Year over the Base Years Adjusted NOI (the Base year is FY 2000). No incentive fees were earned during any of the periods presented.

The management agreement provided for the establishment of a fund for replacement of and additions to furnishings and equipment (the Fund). Contributions to the Fund were restricted and were calculated as 4% of

Hotel sales. Contributions to the Fund, for the nine months ended September 30, 2004 and the years ended December 31, 2003 and 2002 were $246,814, $274,816 and $323,909, respectively.

7. Leases

Fifth Avenue was obligated under several capital lease agreements for telephone, televisions and other miscellaneous leases that were fully paid by September 30, 2004. Fifth Avenue has entered into agreements for operating leases on equipment with varying terms and payments. Total lease expense for operating leases was $6,835, $10,696 and $9,495 for the nine month period ending September 30, 2004, and the years ended December 31, 2003 and 2002, respectively.

Future minimum rental payments under noncancelable operating leases are nominal as of September 30, 2004.

Independent Auditors' Report

The Members of Sonoma LLC:

We have audited the accompanying balance sheets of Sonoma LLC (the Company) as of October 8, 2004 and January 2, 2004 and the related statements of operations, members' deficit and cash flows for the period from April 24, 2004 to October 8, 2004 (Successor period) and for the period from January 3, 2004 to April 23, 2004, and the fiscal years ended January 2, 2004 and January 3, 2003 (Predecessor periods). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonoma LLC as of October 8, 2004 and January 2, 2004, and the results of their operations and their cash flows for the Successor period and the Predecessor periods in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, effective April 23, 2004, a subsidiary of Marriott International, Inc. acquired the remaining equity interests of Sonoma LLC in a business combination accounted for as a purchase. As a result of the acquisition, the financial information for the period after the acquisition, the Successor period, is presented on a different cost basis than that for the periods before the acquisition, the Predecessor periods, and, therefore, is not comparable.

/s/ KPMG LLP

McLean, Virginia
January 5, 2005

SONOMA LLC

BALANCE SHEETS
October 8, 2004 and January 2, 2004

	October 8, 2004	January 2, 2004
ASSETS		
Property and equipment, net	$ 31,175,019	$ 34,182,512
Cash and cash equivalents	361,888	132,534
Restricted cash—property improvement fund	—	536,167
Accounts receivable	1,312,646	691,547
Inventory	128,427	154,136
Due from Marriott International, Inc.	—	44,600
Prepaid expenses and other assets	44,181	86,768
Total assets	$ 33,022,161	$ 35,828,264
LIABILITIES AND MEMBERS' DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	$ 1,246,787	$ 667,654
Accrued interest	6,435,469	3,867,648
Advances from Marriott International, Inc.	2,149,633	2,149,633
Notes payable	37,117,216	37,117,216
Total liabilities	46,949,105	43,802,151
Members' deficit	(13,926,944)	(7,973,887)
Total liabilities and members' deficit	$ 33,022,161	$ 35,828,264

See accompanying notes to financial statements.

SONOMA LLC

STATEMENTS OF OPERATIONS

Periods from April 24, 2004 to October 8, 2004 and January 3, 2004 to April 23, 2004 and Fiscal Years ended January 2, 2004 and January 3, 2003

	Successor Period	Predecessor Periods		
	April 24, 2004-October 8, 2004	January 3, 2004-April 23, 2004	2003	2002
Operating Revenues:				
Rooms	$ 4,818,368	$ 1,665,270	$ 7,626,393	$ 7,117,255
Food and beverage	2,543,441	1,081,273	3,832,066	3,829,871
Telephone and other	929,326	426,436	1,495,940	1,437,635
Total operating revenues	8,291,135	3,172,979	12,954,399	12,384,761
Direct Costs and Expenses:				
Rooms	1,083,345	570,517	1,858,046	1,927,747
Food and beverage	1,832,288	963,436	3,258,583	3,403,603
Telephone and Other	602,172	316,355	1,101,952	1,288,834
Total direct costs and expenses	3,517,805	1,850,308	6,218,581	6,620,184
Total operating revenues less direct costs and expenses	4,773,330	1,322,671	6,735,818	5,764,577
Operating Expenses:				
Depreciation and amortization	741,691	840,341	2,709,844	2,738,002
General and administrative	679,739	396,239	1,236,948	1,164,780
Utilities	159,784	119,320	379,293	370,443
Real estate taxes and other taxes	173,517	115,422	369,762	330,281
Repairs and maintenance	307,688	184,805	585,372	533,451
Management fees	248,734	95,189	388,632	371,543
Marketing	678,977	521,865	1,507,474	1,240,311
Insurance	89,852	34,529	113,110	101,142
Other expenses	395,799	186,920	737,910	569,125
Total operating expenses	3,475,781	2,494,630	8,028,345	7,419,078
Operating income (loss)	1,297,549	(1,171,959)	(1,292,527)	(1,654,501)
Other income (expense)				
Interest expense	(1,528,470)	(1,039,351)	(3,131,819)	(3,117,351)
Interest income	25	16	58	45
Net loss	$ (230,896)	$ (2,211,294)	$ (4,424,288)	$ (4,771,807)

See accompanying notes to financial statements.

SONOMA LLC

STATEMENTS OF CASH FLOWS

Periods from April 24, 2004 to October 8, 2004 and January 3, 2004 to April 23, 2004 and Fiscal Years ended January 2, 2004 and January 3, 2003

	Successor period	Predecessor periods		
	April 24, 2004-October 8, 2004	January 3, 2004-April 23, 2004	2003	2002
Cash flows from operating activities:				
Net loss	$ (230,896)	$ (2,211,294)	$ (4,424,288)	$ (4,771,807)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	741,691	840,341	2,709,844	2,738,002
Changes in operating accounts:				
Accounts receivable, net	(782,193)	161,094	163,627	(129,234)
Inventories	21,559	4,150	(7,146)	79,755
Prepaid expenses and other assets	92,926	(50,339)	(7,612)	12,375
Due to/from Marriott International, Inc.	30,138	14,462	(286,098)	(2,216,886)
Accrued interest	1,528,470	1,039,351	1,249,295	2,018,353
Accounts payable and accrued expenses	350,814	299,429	347	12,054
Net cash provided by (used in) operating activities	1,752,509	97,194	(602,031)	(2,257,388)
Cash flows from investing activities:				
Additions to furniture, fixtures and equipment	(87,129)	(71,110)	(297,690)	(175,643)
Change in restricted cash	—	(37,278)	(226,362)	(228,625)
Net cash provided by (used in) investing activities	(87,129)	(108,388)	(524,052)	(404,268)
Cash flows from financing activities—member contributions (distributions)	(1,451,442)	26,610	1,118,493	2,156,596
Net increase (decrease) in cash and cash equivalents	213,938	15,416	(7,590)	(505,060)
Cash and cash equivalents at beginning of period	147,950	132,534	140,124	645,184
Cash and cash equivalents at end of period	$ 361,888	$ 147,950	$ 132,534	$ 140,124
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ —	$ —	$ 1,884,000	$ 1,099,000

See accompanying notes to financial statements.

SONOMA LLC

STATEMENTS OF MEMBERS' DEFICIT
Periods from April 24, 2004 to October 8, 2004 and January 3, 2004 to April 23, 2004
and Fiscal Years ended January 2, 2004 and January 3, 2003

Balance at December 28, 2001	$	(2,052,881)
Contributions from owner		2,156,596
Net loss		(4,771,807)
Balance at January 3, 2003		(4,668,092)
Contributions from owner		1,118,493
Net loss		(4,424,288)
Balance at January 2, 2004		(7,973,887)
Contributions from owner		26,610
Net loss		(2,211,294)
Balance at April 23, 2004		(10,158,571)
Distributions to owner		(1,451,442)
Adjustment for successor's basis at acquisition		(2,086,035)
Net loss		(230,896)
Balance at October 8, 2004	$	(13,926,944)

See accompanying notes to financial statements.

SONOMA LLC

NOTES TO FINANCIAL STATEMENTS
October 8, 2004 and January 2, 2004

1. Organization

Sonoma LLC (the Company) was formed on July 29, 1999, pursuant to a limited liability company agreement (the Agreement) between Sonoma Lodge LLC (Sonoma Lodge) and Sonoma Renaissance LLC (Sonoma Renaissance) under the laws of the State of California for the purpose of acquiring and owning The Lodge at Sonoma Renaissance Resort and Spa, a 182 room hotel located in Sonoma, California (the Hotel).

The Agreement provided for the Company's profits and losses to be allocated to each member based on their ownership interest in the Company. Distributions are to be made to the members at times and in aggregate amounts determined by the managing member, Sonoma Lodge. Sonoma Renaissance is wholly owned by a subsidiary of Marriott International, Inc. (MII). The Hotel is operated under a long-term management agreement with Renaissance Hotel Operating Company (the Manager), a wholly owned subsidiary of MII. MICC LLC (the Mezzanine Lender or MICC), a wholly owned subsidiary of MII, made a mezzanine loan to the Company in July 2000. The hotel commenced operations on January 27, 2001.

Effective December 31, 2001, Sonoma Lodge, Sonoma Renaissance, the Manager, the Mezzanine Lender and the Company's mortgage lender entered into a comprehensive debt and equity restructuring agreement. At the time of the restructuring, the first mortgage loan of $30,950,000 was in default, the Mezzanine Debt of $6,167,216 was in default and Manager advances of $2,149,633 were outstanding. In the restructuring, Sonoma Lodge made an additional equity contribution of $750,000 and Sonoma Renaissance made additional equity contributions totaling approximately $3,200,000. The defaults were cured as a result of the restructuring. See further discussion of the debt restructuring in note 4.

MII acquired the Company's first mortgage loan on April 13, 2004. The Company became a wholly owned subsidiary of MII when a wholly owned subsidiary of MII acquired 100% of the equity interest of Sonoma Lodge as of April 23, 2004.

There are 53 weeks included in the period ended January 2, 2003 and there are 52 weeks included in the period ended January 3, 2004. October 8, 2004 is the end of MI's tenth accounting period in 2004. MI's accounting periods are four weeks in duration and there are 13 periods in a year.

DiamondRock Hospitality Company (DiamondRock) purchased the Hotel from MII on October 26, 2004 for cash consideration of $32,331,000. DiamondRock is 14.3% owned by MII. The Hotel will continue to be managed by a subsidiary of MII under a new management agreement. The significant terms of the new management agreement are as follows:

Description	Term
Term	20 years with one 10-year extension
Base Management Fee	3% of gross revenues
Incentive Management Fee	20% above owner priority, as defined
FF&E Escrow Contribution Percentage	3%

2. Summary of Significant Accounting Policies

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounting period subsequent to April 23, 2004 reflects MII's basis in the assets and liabilities of the Company. The accounting periods prior to April 24, 2004 reflect the Company's historical basis before the acquisition of 100% of the equity interests by MII.

Basis of Accounting

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America.

Real Estate

Property and equipment is recorded at historical cost, including capitalized interest of approximately $1,700,000 incurred during development and construction. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Prior to MII's purchase, depreciation was computed using the straight-line method over the estimated useful lives of the assets, 39 years for building and improvements and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the assets.

Subsequent to April 23, 2004, the real estate was recorded at the purchase cost of subsidiaries of MII and is being depreciated over its estimated remaining useful lives of the assets, 30 years for building and improvements and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the assets.

Impairment of Long-Lived Assets

In the event that facts or changes in circumstances indicate that the carrying amount of the Hotel may be impaired, an evaluation of recoverability is prepared. In such an event, a comparison is made of the current and projected operating cash flows of such Hotel on an undiscounted basis to the carrying amount of the Hotel. If such sum were less than the depreciated cost of the property, the Hotel would be written down to its estimated fair market value. No impairment write-downs were recorded in any of the periods presented.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Room revenue is recognized on a day-to-day basis when the services have been rendered. Food and beverage and all other revenue are recognized when the services have been rendered. A provision for possible bad debts is made when collection of receivables is considered doubtful.

Income Taxes

Provisions for Federal and state income taxes have not been made in the accompanying financial statements since the Company does not pay income taxes but rather allocates its profits and losses to the individual members. Significant differences exist between the net income (loss) for financial reporting purposes and the taxable income (loss) reported in the Company's tax return. These differences are primarily due to the use, for income tax purposes, of accelerated depreciation methods and shorter depreciable lives of the assets.

Pre-Opening Costs

Pre-opening costs incurred prior to the opening of the Hotel of approximately $4,600,000 were expensed as incurred in periods prior to these presented herein.

3. Property and Equipment

Property and equipment consist of the following:

	October 8, 2004	January 2, 2004
Land and improvements	$ 9,262,397	$ 11,105,764
Buildings and improvements	19,706,319	22,104,994
Furniture and equipment	2,947,994	8,889,848
	31,916,710	42,100,606
Less: accumulated depreciation	(741,691)	(7,918,094)
	$ 31,175,019	$ 34,182,512

4. Debt

On July 30, 1999, the Company obtained third party mortgage financing in the amount of $30,950,000 (the Mortgage Loan). The Mortgage Loan required the payment of interest only in monthly installments during the construction period of the Hotel. The maturity date of this loan was August 1, 2004, with an extension to August 1, 2007. The loan bore interest at prime plus 1.875% with an 8.5% floor during the construction period. After completion of the construction, the loan bore interest at LIBOR as defined, plus 4% per annum, with an 8.5% floor.

The loan was secured by a deed of trust on the Hotel. As indicated in note 1, the loan was in default prior to the 2001 restructuring. During the 2001 restructuring, a third party purchased the Mortgage Loan. The maturity date of the restructured Mortgage Loan was April 1, 2007. The other terms of the loan did not change. On April 13, 2004, a wholly owned subsidiary of MII purchased the Mortgage Loan and related accrued interest from the third party. The terms of the loan did not change. Total interest expense incurred for the Mortgage Loan from April 24, 2004 to October 8, 2004, from January 3, 2004 to April 23, 2004, and for each of the fiscal years ended January 2, 2004 and January 3, 2003 was $1,302,096, $888,718, $2,665,813 and $2,674,596, respectively. Total accrued interest as of October 8, 2004 and January 2, 2004 was $4,549,700 and $2,358,886, respectively.

On July 30, 2000, the Company entered into a $5,000,000 loan (the Mezzanine Loan) with MICC. The Mezzanine Loan bore interest of 10% and was increased to $6,167,216 after additional advances. After the December 31, 2001 restructuring, the Mezzanine Loan bore interest at 5% and is scheduled to mature on April 1, 2007. Total interest expense incurred for the Mezzanine Loan from April 24, 2004 to October 8, 2004, from January 3, 2004 to April 23, 2004, and for each of the fiscal years ended January 2, 2004 and January 3, 2003 was $146,433, $108,685, $336,616 and $320,011, respectively. Total accrued interest as of October 8, 2004 and January 2, 2004 was $911,745 and $656,627, respectively.

During 2000 and 2001, the Manager advanced $2,149,633 to the Company. No interest was due on these advances until after the December 31, 2001 restructuring, whereby these advances were to be repaid from available cash flow and bore interest at 5.5%. These advances also mature on April 1, 2007. Total interest expense incurred for these advances from April 24, 2004 to October 8, 2004, from January 3, 2004 to April 23, 2004, and for each of the fiscal years ended January 2, 2004 and January 3, 2003 was $79,941, $41,948, $129,390 and $122,744, respectively. Total accrued interest as of October 8, 2004 and January 2, 2004 was $974,024 and $852,135, respectively.

5. Management Agreement

The Hotel is operated under a long-term management agreement, which expires on July 29, 2019, prior to any renewal periods, as defined. Pursuant to the terms of the management agreement, the manager earns a base management fee, which is calculated as 3% of Hotel sales. In addition, the manager earns an incentive management fee, which is calculated as 30% of available cash flow, as defined, in excess of an owner's priority, as defined. No incentive fees were earned in any of the periods presented.

The management agreement provides for the establishment of a property improvement fund to cover the cost of replacements and renewals of furniture and fixtures at the Hotel. Contributions to the property improvement fund are restricted and are calculated as a percentage of Hotel sales. Contributions to the property improvement fund, for the period from January 3, 2004 to April 23, 2004, and the fiscal years ended January 2, 2004 and January 3, 2003 were $107,266, $388,632 and $296,555, respectively. MII paid cash for and received $669,000 for the property improvement funds in escrow on April 23, 2004. No further contributions were made into this fund subsequent to April 23, 2004.

Pursuant to the terms of the management agreement, the owner of the Hotel is required to provide the manager with working capital and supplies to meet the operating needs of the Hotel. MII assumed working capital deficit of $85,000 upon acquisition on April 18, 2004.

6. Leases

The Company is currently obligated under several non-cancelable operating lease agreements for computers and office equipment that expire between 2004 and 2006. Future minimum lease payments required under these non-cancelable operating leases as of October 8, 2004 are as follows:

October 9, 2004 through December 31, 2004	$ 17,130
2005	84,387
2006	10,140
	$ 111,657

The Company also has leases for retail space and equipment with varying terms for which minimum annual rents are received. The leases require fixed monthly payments over the terms of the leases. Future minimum rents to be received under noncancelable operating leases as of October 8, 2004 are as follows:

October 9, 2004 through December 31, 2004	$ 16,711
2005	86,915
2006	49,769
2007	23,895
2008	10,500
	$ 187,790

7. Commitments and Contingencies

The Company is involved from time to time in litigation arising in the normal course of business, none of which is expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Dealer Prospectus Delivery Requirement

Until , 2005 (25 days after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

[GRAPHIC]

Shares of Common Stock

PROSPECTUS

FRIEDMAN BILLINGS RAMSEY

, 2005

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. Other Expenses of Issuance and Distribution.

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except the Securities and Exchange Commission registration fee.

SEC Registration Fee	$ 20,500
NASD Fee	$ 17,750
NYSE Listing Fee	*
Printing and Engraving Expenses	*
Legal Fees and Expense (other than Blue Sky)	*
Accounting Fees and Expenses	*
Blue Sky Fees and Expenses	*
Transfer Agent and Registrar Fees	*
Advisory Fees	*
Miscellaneous	*
Total	*

* To be filed by amendment.

Item 32. Sales to Special Parties.

See the response to Item 33 below.

Item 33. Recent Sales of Unregistered Securities.

On July 7, 2004, we issued the following securities that were not registered under the Securities Act pursuant to our 2004 Stock Option and Incentive Plan: 695,000 shares of restricted common stock to certain of our directors and officers. For a more detailed description of our 2004 Stock Option and Incentive Plan, see “Management—Equity Incentive Plan” in this registration statement. In granting the restricted shares, we relied upon exemptions from registration set forth in Rule 701 and Section 4(2) of the Securities Act.

On July 7, 2004, we sold a total of 13,586,050 shares of common stock for an aggregate amount of $126,448,794.06 at a purchase price of $9.30 per share, less expenses, in a private unregistered offering to Freidman, Billings, Ramsey & Co., Inc., or FBR, pursuant to the exemptions from registration set forth in Sections 4(1) and 4(2) of the Securities Act, which shares were subsequently resold to qualified institutional buyers in accordance with Rule 144A under the Securities Act and/or to non-U.S. persons as defined in Regulation S under the Securities Act. The per share price of the shares of common stock sold to FBR was $9.30, and the per share offering price to our investors was $10.00.

Concurrently with the sale of a total of 13,586,050 shares of common stock for an aggregate amount of $39,426,753.77 at a purchase price of $9.30 per share, less expenses, to FBR in our July 2004 private placement, we sold a total of 4,263,950 shares of common stock directly to certain accredited investors, including without limitation FBR and certain affiliates, directors, officers and employees of FBR, at a per share price of $10.00, pursuant to an exemption from registration set forth in Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. We paid a placement fee of $0.70 per share to FBR with respect to all 4,263,950 of those shares.

Item 34. Indemnification of Directors and Officers.

The Maryland General Corporation Law, or MGCL, permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates such liability to the maximum extent permitted by the MGCL.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate our company to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former director or officer or (b) any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her serving in any of the foregoing capacities. Our bylaws obligate our company, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former director or officer who is made, or is threatened to be made, a party to the proceeding by reason of his service in that capacity or (b) any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his service in that capacity. Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of our company in any of the capacities described above and to our employees or agents and any employee or agent of our predecessor.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made, or threatened to be made, a party by reason of his service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

We currently have in place a directors' and officers' liability insurance policy issued by American International Specialty Lines Insurance Company, an affiliate of American International Group, Inc. (AIG). The policy has a limit of $15 million per claim as well as in the aggregate. The policy does not have a self-insured retention for non-indemnified claims, but it has a self-insured retention of $250,000 per claim for all other covered claims.

Item 35. Treatment of Proceeds from Stock Being Registered.

None of the proceeds will be credited to an account other than the appropriate capital share account.

Item 36. Financial Statements and Exhibits.

(A) *Financial Statements*. See Index to Consolidated Financial Statements and the related notes thereto.

(B) *Exhibits*. The following exhibits are filed as part of, or incorporated by reference into, this registration statement on Form S-11:

Exhibit	
1.1	Form of Underwriting Agreement among DiamondRock Hospitality Company and the underwriters named therein*
3.1	Articles of Amendment and Restatement of DiamondRock Hospitality Company
3.2	Amended and Restated Bylaws of DiamondRock Hospitality Company
4.1	Form of Certificate for Common Stock for DiamondRock Hospitality Company*
5.1	Opinion of Goodwin Procter LLP as to legality of the securities being issued*
8.1	Opinion of Goodwin Procter LLP as to certain U.S. federal income tax matters*
10.1	Agreement of Limited Partnership of DiamondRock Hospitality Limited Partnership, dated as of June 4, 2004
10.2	Registration Rights Agreement among DiamondRock Hospitality Company, DiamondRock Hospitality Limited Partnership, Friedman, Billings, Ramsey & Co., Inc. and certain holders of the common stock of DiamondRock Hospitality Company, dated as of July 7, 2004
10.3	Form of Hotel Management Agreement*
10.4	Form of TRS Lease*
10.5	2004 Stock Option and Incentive Plan
10.6	Form of Restricted Stock Award Agreement*
10.7	Form of Incentive Stock Option Agreement*
10.8	Form of Non-Qualified Stock Option Agreement*
10.9	Form of Indemnification Agreement between DiamondRock Hospitality Company and its directors and officers*
10.10	Employment Agreement between DiamondRock Hospitality Company and William W. McCarten, dated as June 4, 2004
10.11	Employment Agreement between DiamondRock Hospitality Company and John L. Williams, dated as June 4, 2004
10.12	Employment Agreement between DiamondRock Hospitality Company and Mark W. Brugger, dated as June 4, 2004
10.13	Employment Agreement between DiamondRock Hospitality Company and Michael D. Schecter, dated as June 4, 2004
10.14	Employment Agreement between DiamondRock Hospitality Company and Sean M. Mahoney, dated as June 30, 2004
10.15	Restricted Stock Award Agreement between DiamondRock Hospitality Company and William W. McCarten, dated as of July 7, 2004
10.16	Restricted Stock Award Agreement between DiamondRock Hospitality Company and John L. Williams, dated as July 7, 2004

Exhibit	
10.17	Restricted Stock Award Agreement between DiamondRock Hospitality Company and Mark W. Brugger, dated as July 7, 2004
10.18	Restricted Stock Award Agreement between DiamondRock Hospitality Company and Michael D. Schecter, dated as July 7, 2004
10.19	Restricted Stock Award Agreement between DiamondRock Hospitality Company and Sean M. Mahoney*
10.20	Information Acquisition Agreement between DiamondRock Hospitality Company and Marriott International, Inc., dated as of July 6, 2004
21.1	List of Subsidiaries of DiamondRock Hospitality Company
23.1	Consent of Goodwin Procter LLP (included in Exhibit 5.1)*
23.2	Consent of KPMG LLP
24.1	Power of Attorney (included on Signature Page)

* Tobe filed by amendment.

Item 37. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that the registrant meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bethesda, State of Maryland, on this 1st day of March, 2005.

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ Michael D. Schecter

Name: Michael D. Schecter
Title: General Counsel and Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby constitute and appoint Mark W. Brugger and Michael D. Schecter, and each of them, with full power of substitution and full power to act without the other, such person's true and lawful attorney-in-fact and agent to act for such person in such person's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any related registration statement filed pursuant to Rule 462(b) under the Securities Act, and to file this registration statement, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same as fully, to all intents and purposes, as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ William W. McCarten **William W. McCarten**	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2005
/s/ John L. Williams **John L. Williams**	President, Chief Operating Officer and Director	March 1, 2005
/s/ Daniel J. Altobello **Daniel J. Altobello**	Director	March 1, 2005
/s/ W. Robert Grafton **W. Robert Grafton**	Director	March 1, 2005
/s/ Gilbert T. Ray **Gilbert T. Ray**	Director	March 1, 2005
/s/ Maureen L. McAvey **Maureen L. McAvey**	Director	March 1, 2005

Signature	Title	Date
/s/ Mark W. Brugger **Mark W. Brugger**	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 1, 2005
/s/ Sean M. Mahoney **Sean M. Mahoney**	Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	March 1, 2005

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* To be filed by amendment.

DIAMONDROCK HOSPITALITY COMPANY

ARTICLES OF AMENDMENT AND RESTATEMENT

FIRST: DiamondRock Hospitality Company, a Maryland corporation (the "Corporation"), desires to amend and restate its charter as currently in effect and as hereinafter amended.

SECOND: The following provisions are all the provisions of the charter currently in effect and as hereinafter amended:

ARTICLE I

INCORPORATOR

The undersigned, Suzanne D. Lecaroz, whose address is c/o Goodwin Procter LLP, 53 State Street, Boston, Massachusetts, 02190, being at least 18 years of age, does hereby form a corporation under the general laws of the State of Maryland.

ARTICLE II

NAME

The name of the corporation (the "Corporation") is:

DiamondRock Hospitality Company

ARTICLE III

PURPOSE

The purposes for which the Corporation is formed are to engage in any lawful act or activity (including, without limitation or obligation, engaging in business as a real estate investment trust under the Internal Revenue Code of 1986, as amended, or any successor statute (the "Code")) for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force. For purposes of these Articles, "REIT" means a real estate investment trust under Sections 856 through 860 of the Code.

ARTICLE IV

PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The address of the principal office of the Corporation in the State of Maryland is c/o The Corporation Trust Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202. The name of the resident agent of the Corporation in the State of Maryland is The Corporation Trust Incorporated, whose address is 300 East Lombard Street, Baltimore, Maryland 21202. The resident agent is a Maryland corporation.

ARTICLE V

PROVISIONS FOR DEFINING, LIMITING AND REGULATING CERTAIN POWERS OF THE CORPORATION AND OF THE STOCKHOLDERS AND DIRECTORS

Section 5.1 Number and Election of Directors. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation initially shall be two, which number may be increased or decreased only by the Board of Directors pursuant to the Bylaws, but shall never be less than the minimum number required by the Maryland General Corporation Law (the "MGCL"). The names of the directors who shall serve until the first annual meeting of stockholders and until their successors are duly elected and qualify are:

William W. McCarten
John L. Williams

These directors may increase the number of directors and may fill any vacancy, whether resulting from an increase in the number of directors or otherwise, on the Board of Directors occurring before the first annual meeting of stockholders in the manner provided in the Bylaws.

The Corporation elects, at such time as it becomes eligible to make the election provided for under Section 3-802(b) of the Maryland General Corporation Law, that, except as may be provided by the Board of Directors in setting the terms of any class or series of stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred.

Section 5.2 Authorization by Board of Stock Issuance. The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration, if any, as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the charter (the "Charter") or the Bylaws.

Section 5.3 Preemptive Rights. Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 6.4 or as may otherwise be provided by contract, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell.

Section 5.4 Indemnification. The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in such capacity. The Corporation shall have the power, with the approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Section 5.5 Determinations by Board. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Directors consistent with the Charter, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, annual or other cash flow, funds from operations, net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of any class or series of stock of the Corporation; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation or of any shares of stock of the Corporation; the number of shares of stock of any class of the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; or any other matter relating to the business and affairs of the Corporation or required or permitted by applicable law, the Charter or Bylaws or otherwise to be determined by the Board of Directors.

Section 5.6 REIT Qualification. If the Corporation elects to qualify for federal income tax treatment as a REIT, the Board of Directors shall use its reasonable best efforts to take such actions as are necessary or appropriate to preserve the status of the Corporation as a REIT; however, if the Board of Directors determines that it is no longer in the best interests of the Corporation to continue to be qualified as a REIT, the Board of Directors may revoke or otherwise terminate the Corporation's REIT election pursuant to Section 856(g) of the Code. The Board of Directors also may determine that compliance with any restriction or limitation on stock ownership and transfers set forth in Article VII is no longer required for REIT qualification.

Section 5.7 Removal of Directors. Subject to the rights of holders of one or more classes or series of Preferred Stock to elect or remove one or more directors, any director, or the entire Board of Directors, may be removed from office at any time, with or without cause, by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors.

ARTICLE VI

STOCK

Section 6.1 Authorized Shares. The Corporation has authority to issue 110,000,000 shares of stock, initially consisting of 100,000,000 shares of Common Stock, $.01 par value per share ("Common Stock"), and 10,000,000 shares of Preferred Stock, $.01 par value per share ("Preferred Stock"). The aggregate par value of all authorized shares of stock having par value is $1,100,000. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Section 6.2, 6.3 or 6.4 of this Article VI, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph. A majority of the Board of Directors, without any action by the stockholders of the Corporation, may amend the Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

Section 6.2 Common Stock. Subject to the provisions of Article VII and except as may otherwise be specified in the terms of any class or series of Common Stock, each share of Common Stock shall entitle the holder thereof to one vote. The Board of Directors may reclassify any unissued shares of Common Stock from time to time in one or more classes or series of stock.

Section 6.3 Preferred Stock. The Board of Directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any series from time to time, in one or more classes or series of stock.

Section 6.4 Classified or Reclassified Shares. Prior to issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the provisions of Article VII and subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of stock set or changed pursuant to clause (c) of this Section 6.4 may be made dependent upon facts or events ascertainable outside the Charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary or other Charter document.

Section 6.5 Charter and Bylaws. The rights of all stockholders and the terms of all stock are subject to the provisions of the Charter and the Bylaws. The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of the Bylaws and to make new Bylaws.

ARTICLE VII

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 7.1 Definitions. For the purpose of this Article VII, the following terms shall have the following meanings:

Aggregate Look-Through Stock Ownership Limit. The term “Aggregate Look-Through Stock Ownership Limit” shall mean not more than 15 percent in value of the aggregate of the outstanding shares of Capital Stock.

Aggregate Stock Ownership Limit. The term “Aggregate Stock Ownership Limit” shall mean not more than 9.8 percent in value of the aggregate of the outstanding shares of Capital Stock.

Beneficial Ownership. The term “Beneficial Ownership” shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code, provided, however, that in determining the number of shares Beneficially Owned by a Person, no share shall be counted more than once. Whenever a Person Beneficially Owns shares of Capital Stock that are not actually outstanding (e.g., shares issuable upon the exercise of an option or the conversion of a convertible security) (“Option Shares”), then, whenever the Charter requires a determination of the percentage of outstanding shares of a class of Capital Stock

Beneficially Owned by such Person, the Option Shares Beneficially Owned by such Person shall also be deemed to be outstanding. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

Benefit Plan Investor. The term "Benefit Plan Investor" shall have the meaning provided in 29 C.R.F. Section 2510.3-101(f)(2) or any successor regulation thereto

Business Day. The term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

Capital Stock. The term "Capital Stock" shall mean all classes or series of stock of the Corporation, including, without limitation, Common Stock and Preferred Stock.

Charitable Beneficiary. The term "Charitable Beneficiary" shall mean one or more beneficiaries of the Trust as determined pursuant to Section 7.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Common Stock Look-Through Ownership Limit. The term "Common Stock Ownership Limit" shall mean not more than 15 percent (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of Common Stock of the Corporation.

Common Stock Ownership Limit. The term "Common Stock Ownership Limit" shall mean not more than 9.8 percent (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of Common Stock of the Corporation.

Constructive Ownership. The term "Constructive Ownership" shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Constructive Owner,” “Constructively Owns” and “Constructively Owned” shall have the correlative meanings.

ERISA. The term “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor act thereto.

ERISA Investor. The term “ERISA Investor” shall mean any holder of shares of Capital Stock that is (i) an employee benefit plan subject to Title I of ERISA, (ii) a plan as defined in Section 4975(e)(1) of the Code (any such employee benefit plan or “plan” described in clause (i) or this clause (ii) being referred to herein as a “Plan”), a (iii) trust which was established pursuant to a Plan, or a nominee for such trust or Plan, or (iv) an entity whose underlying assets include assets of a Plan by reason of such Plan’s investment in such entity.

Excepted Holder. The term “Excepted Holder” shall mean a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Charter or by the Board of Directors pursuant to Section 7.2.7.

Excepted Holder Limit. The term “Excepted Holder Limit” shall mean, provided that the affected Excepted Holder agrees to comply with the requirements established by the Board of Directors pursuant to Section 7.2.7 and subject to adjustment pursuant to Section 7.2.8, the percentage limit established by the Board of Directors pursuant to Section 7.2.7.

Initial Date. The term “Initial Date” shall mean the date of issuance of Common Stock pursuant to the underwritten offering of Common Stock to (i) “qualified institutional buyers” (as defined in Rule 144A under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the “Securities Act”)) and (ii) persons outside of the United States pursuant to Regulation S under the Securities Act.

Look-Through Entity. The term “Look-Through Entity” shall mean a Person that is registered under the Investment Company Act of 1940 as long as each beneficial owner of such entity would satisfy the Aggregate Stock Ownership Limit and the Common Stock Ownership Limit if such beneficial owner owned directly its proportionate share of the shares of Capital Stock that are held by the Look-Through Entity.

Market Price. The term "Market Price" on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such Capital Stock on such date. The "Closing Price" on any date shall mean the last sale price for such Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Capital Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such Capital Stock is not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Capital Stock is listed or admitted to trading or, if such Capital Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such Capital Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Capital Stock selected by the Board of Directors of the Corporation or, in the event that no trading price is available for such Capital Stock, the fair market value of the Capital Stock, as determined in good faith by the Board of Directors of the Corporation.

Non-Transfer Event. The term "Non-Transfer Event" shall mean any event or other change in circumstances other than a purported Transfer, including, without limitation, any change in the value of any shares of Capital Stock.

NYSE. The term "NYSE" shall mean the New York Stock Exchange.

One Hundred Stockholders Date. The term "One Hundred Stockholders Date" shall mean the first date on which shares of Capital Stock are beneficially owned by 100 or more persons within the meaning of Section 856(a)(5) of the Code without regard to Section 856(h)(2) of the Code.

Ownership Limits. The term “Ownership Limits” shall mean the Aggregate Look-Through Stock Ownership Limit, the Aggregate Stock Ownership Limit, the Common Stock Look-Through Ownership Limit and the Common Stock Ownership Limit.

Person. The term “Person” shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and a group to which an Excepted Holder Limit applies.

Prohibited Owner. The term “Prohibited Owner” shall mean, with respect to any purported Transfer or Non-Transfer Event, any Person who, but for the provisions of Section 7.2.1, would beneficially own, Beneficially Own or Constructively Own shares of Capital Stock and, if appropriate in the context, shall also mean any Person who would have been the record or actual owner of the shares that the Prohibited Owner would have so owned.

Publicly Offered Securities. The term “Publicly Offered Securities” shall have the meaning provided in 29 C.F.R. Section 2510.3-101(b)(2), or any successor regulation thereto.

Restriction Termination Date. The term “Restriction Termination Date” shall mean the first day after the Initial Date on which the Board of Directors determines pursuant to Section 5.6 of the Charter that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Transfer. The term “Transfer” shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Capital Stock or the right to vote or receive dividends on

Capital Stock, including (a) the granting or exercise of any option (or any disposition of any option) or entering into any agreement for the sale, transfer or other disposition (or of Beneficial Ownership or Constructive Ownership) of Capital Stock, (b) any disposition of any securities or rights convertible into or exchangeable for Capital Stock or any interest in Capital Stock or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial or Constructive Ownership of Capital Stock; in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned and whether by operation of law or otherwise. The terms "Transferring" and "Transferred" shall have the correlative meanings.

Trust. The term "Trust" shall mean any trust provided for in Section 7.3.1.

Trustee. The term "Trustee" shall mean the Person unaffiliated with the Corporation and a Prohibited Owner that is appointed by the Corporation to serve as trustee of the Trust.

Section 7.2 Capital Stock.

Section 7.2.1 Ownership Limitations. During the period commencing on the Initial Date and prior to the Restriction Termination Date (except as otherwise provided in Section 7.2.1(a)(v)), but subject to Section 7.4:

(a) Basic Restrictions.

(i) (1) No Person, other than a Look-Through Entity or an Excepted Holder, shall Beneficially Own shares of Capital Stock in excess of the Aggregate Stock Ownership Limit, (2) no Person, other than a Look-Through Entity or an Excepted Holder, shall Beneficially Own shares of Common Stock in excess of the Common Stock Ownership Limit, (3) no Look-Through Entity, other than an Excepted Holder, shall Beneficially Own shares of Capital Stock in excess of the Aggregate Look-Through Ownership Limit, (4) no Look-Through Entity, other than an Excepted Holder, shall Beneficially Own shares of Common Stock in excess of the Common Stock Look-Through Ownership Limit, and (5) no Excepted Holder shall Beneficially Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially Own shares of Capital Stock to the extent that such Beneficial Ownership of Capital Stock would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year).

(iii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that such Beneficial Ownership or Constructive Ownership of Capital Stock would result in the Corporation failing to qualify as a REIT.

(iv) No Person shall Constructively Own shares of Capital Stock to the extent that such Constructive Ownership would cause any income of the Corporation that would otherwise qualify as "rents from real property" for purposes of Section 856(d) of the Code to fail to qualify as such (including, but not limited to, as a result of any "eligible independent contractor" that operates a "qualified lodging facility" on behalf of a "taxable REIT subsidiary" of the Corporation (as such terms are defined in Section 856(d)(9)(A), Section 856(d)(9)(D) and Section 856(l) of the Code, respectively) failing to qualify as such).

(v) During the period commencing on the One Hundred Stockholders Date and prior to the Restriction Termination Date, any Transfer of shares of Capital Stock that, if effective, would result in the Capital Stock being beneficially owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(b) Transfer in Trust. If any Transfer or Non-Transfer Event occurs which, if effective or otherwise, would result in any Person Beneficially Owning, Constructively Owning or beneficially owning (as applicable) shares of Capital Stock in violation of Section 7.2.1(a)(i), (ii), (iii), (iv) or (v),

(i) then that number of shares of the Capital Stock the Beneficial Ownership, Constructive Ownership or beneficial ownership (as applicable) of which otherwise would cause such Person to violate Section 7.2.1(a)(i), (ii), (iii), (iv) or (v) (rounded to the nearest whole share) shall be automatically transferred to a Trust for the benefit of a

Charitable Beneficiary, as described in Section 7.3, effective as of the close of business on the Business Day prior to the date of such Transfer or Non-Transfer Event, and such Person (or, if different, the direct or beneficial owner of such shares) shall acquire no rights in such shares (or shall be divested of its rights in such shares); or

(ii) if the transfer to the Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 7.2.1(a)(i), (ii), (iii), (iv) or (v), then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 7.2.1(a)(i), (ii), (iii), (iv) or (v) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

Section 7.2.2 Remedies for Breach. If the Board of Directors of the Corporation or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or Non-Transfer Event has taken place that results in a violation of Section 7.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial Ownership, Constructive Ownership or beneficial ownership of any shares of Capital Stock in violation of Section 7.2.1 (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or otherwise prevent such violation, including, without limitation, causing the Corporation to redeem shares, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer; provided, however, that any Transfer or attempted Transfer in violation of Section 7.2.1 (or other event that results in a violation of Section 7.2.1(a)) shall automatically result in the transfer to the Trust described above, and, where applicable, such Transfer shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

Section 7.2.3 Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial Ownership, Constructive Ownership or beneficial ownership of shares of Capital Stock that will or may violate Section 7.2.1(a) or any Person who held or would have owned shares of Capital Stock that resulted in a transfer to the Trust pursuant to the provisions of Section 7.2.1(b) shall immediately give written notice to the Corporation of such event or, in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation's status as a REIT.

Section 7.2.4 Owners Required To Provide Information. From the Initial Date and prior to the Restriction Termination Date, each Person who is a Beneficial Owner or Constructive Owner of Capital Stock and each Person (including the stockholder of record) who is holding Capital Stock for a Beneficial or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 7.2.5 Remedies Not Limited. Subject to Section 5.6 of the Charter, nothing contained in this Section 7.2 shall limit the authority of the Board of Directors of the Corporation to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 7.2.6 Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 7.2, Section 7.3, or any definition contained in Section 7.1, the Board of Directors of the Corporation shall have the power to determine the application of the provisions of this Section 7.2 or Section 7.3 or any such definition with respect to any situation based on the facts known to it. In the event Section 7.2 or 7.3 requires an action by the Board of Directors and the Charter fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 7.1, 7.2 or 7.3. Absent a decision to the contrary by the Board of Directors (which the Board may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in Section 7.2.2) acquired or retained Beneficial Ownership, Constructive Ownership or beneficial ownership of Capital Stock in violation of

Section 7.2.1, such remedies (as applicable) shall apply first to the shares of Capital Stock which, but for such remedies, would have been Beneficially Owned, Constructively Owned or beneficially owned (but not actually owned) by such Person, pro rata among the Persons who actually own such shares of Stock based upon the relative number of the shares of Capital Stock held by each such Person.

Section 7.2.7 Exceptions.

(a) Subject to Section 7.2.1(a)(iii), the Board of Directors of the Corporation, in its sole discretion, may exempt (prospectively or retroactively) a Person from the Ownership Limits set forth in Section 7.2.1(a)(i)(1), (2), (3), and/or (4), as applicable, and may establish or increase an Excepted Holder Limit for such Person and/or may waive (prospectively or retroactively) the provisions of Section 7.2.1(a)(ii), (iv) or (v) if:

(i) the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that such Person's Beneficial Ownership, Constructive Ownership or beneficial ownership of such shares of Capital Stock will not now or in the future jeopardize the Corporation's ability to qualify as a REIT under the Code; and

(ii) such Person agrees that any violation or attempted violation of such representations or undertakings (or other action which is contrary to the restrictions contained in Sections 7.2.1 through 7.2.6) will result in such shares of Capital Stock being automatically transferred to a Trust in accordance with Sections 7.2.1(b) and 7.3.

(b) Prior to granting any exception pursuant to Section 7.2.7(a), the Board of Directors of the Corporation may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Directors may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) Subject to Section 7.2.1(a)(iii), an underwriter which participates in a public offering or a private placement of Capital Stock (or securities convertible into or exchangeable for Capital Stock) may Beneficially Own shares of Capital Stock (or securities convertible into or exchangeable for Capital Stock) in excess of the Aggregate Stock Ownership Limit, the Common Stock Ownership Limit, or both such limits, but only to the extent necessary to facilitate such public offering or private placement.

(d) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Stock Ownership Limit (or Common Stock Look-Through Ownership Limit if such Excepted Holder is a Look-Through Entity).

Section 7.2.8 Increase in Aggregate Stock Ownership and Common Stock Ownership Limits. Subject to Section 7.2.1(a)(iii), the Board of Directors may from time to time increase the Ownership Limits for one or more Persons and decrease the Ownership Limits for all other Persons; provided, however, that any such decreased Ownership Limits will not be effective for any Person whose percentage ownership in Capital Stock is in excess of the decreased Ownership Limits until such time as such Person's percentage of Capital Stock equals or falls below the decreased Ownership Limits, but any further acquisition of Capital Stock in excess of such percentage ownership of Capital Stock will be in violation of the Ownership Limits and, provided further, that the new Ownership Limits would not allow five or fewer Persons to Beneficially Own more than 49.9% in value of the outstanding Capital Stock.

Section 7.2.9 Restrictions on Ownership and Transfer of Shares of Capital Stock by Benefit Plan Investors.

(a) Basic Restrictions.

(i) Notwithstanding any other provisions herein, prior to the first date on which any class or series of shares of Capital Stock constitutes Publicly Offered Securities, Benefit Plan Investors may not hold, in the aggregate, 25% or more of the value of any class or series of shares of Capital Stock. For purposes of determining whether Benefit Plan Investors, hold, in the aggregate, 25% percent or more of the value of any class or series of shares of Capital Stock, the value of shares of Capital Stock of such class or series held by any director or officer of the Corporation, or any other Person who has discretionary authority or control with respect to the assets of the Corporation, or any Person who provides investment advice (direct or indirect) for a fee to the Corporation in connection with its assets, or an "affiliate" of any such Person, as defined in 29 C.F.R. Section 2510.3-101(f)(3), or any successor regulation thereto, shall be disregarded.

(ii) Prior to the first date on which any class or series of Capital Stock constitutes Publicly Offered Securities, no Person shall Transfer any shares of any class or series of Capital Stock if, immediately following such Transfer, Benefit Plan Investors would hold, in the aggregate, 25% or more of the value of any class or series of shares of Capital Stock in violation of Section 7.2.9(a)(i).

(iii) On and after the first date on which any class or series of shares of Capital Stock constitutes Publicly Offered Securities, ERISA Investors may not hold any interest in any shares of Capital Stock that do not constitute Publicly Offered Securities.

(iv) On and after the first date on which any class or series of shares of Capital Stock constitutes Publicly Offered Securities, no Person shall Transfer any shares of any class or series of Capital Stock that do not constitute Publicly Offered Securities to any ERISA Investor in violation of Section 7.2.9(a)(iii).

(b) Remedies.

(i) If (A) there is a purported Transfer that would result in Benefit Plan Investors, on any date, holding, in the aggregate, 25% or more of the value of any class or series of shares of Capital Stock in violation of Section 7.2.9(a)(i) or 7.2.9(a)(ii), or (B) there is a purported Transfer that would result in any ERISA Investor holding an interest in any class or series of shares of Capital Stock in violation of Section 7.2.9(a)(iii) or 7.2.9(a)(iv), or (C) if there is a purported Transfer that would otherwise result in the underlying assets of the Corporation being deemed to be assets of any ERISA Investor, then that number of shares of Capital Stock the holding of which otherwise would cause any Person to violate Section 7.2.9(a) and/or cause the underlying assets of the Corporation to be deemed to be assets of any ERISA Investor shall be automatically transferred to a Trust to be held for the exclusive benefit of a Charitable Beneficiary, as set forth in Section 7.3, effective as of the close of business on the Business Day prior to the date of such purported Transfer, and such Person shall acquire no rights in such shares of Capital Stock, or if such transfer to the Trust would not be effective for any reason to prevent the violation of Section 7.2.9(a) and/or to prevent the underlying assets of the Corporation to be deemed to be assets of any ERISA Investor, then the Transfer of that number of shares of Capital Stock that otherwise would cause such Person to violate Section 7.2.9(a) and/or cause the underlying assets of the Corporation to be deemed to be assets of any ERISA Investor shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(ii) If (A) on any date, Benefit Plan Investors hold, in the aggregate, 25% or more of the value of any class or series of shares of Capital Stock in violation of Section 7.2.9(a)(i) or 7.2.9(a)(ii), or (B) there is a purported event that would result in any Benefit Plan Investors, on any date, holding, in the aggregate, 25% or more of the value of any class or series of shares of Capital Stock in violation of Section 7.2.9(a)(i) or 7.2.9(a)(ii), or (C) on any date, any ERISA Investor holds an interest in any class or series of shares of Capital Stock in violation of Section 7.2.9(a)(iii) or 7.2.9(a)(iv), or (D) there is a purported event that would result in any ERISA Investor holding an interest in any class or series of shares of Capital Stock in violation of Section 7.2.9(a)(iii) or 7.2.9(a)(iv), or (E) there is a purported event that would otherwise result in the underlying assets of the Corporation being deemed to be assets of any ERISA Investor, then the Board of Directors shall have the authority to take, and shall take, such action as it deems necessary or appropriate, in its sole and absolute discretion, to cause the underlying assets of the Corporation not to be deemed the assets of any ERISA Investor and/or otherwise to mitigate, prevent or cure the consequences that might result to the Corporation, including without limitation, to redeem shares of Capital Stock held by one or more Benefit Plan Investors and/or ERISA Investors at its current Market Price, in which event any such Benefit Plan Investor or ERISA Investor shall be obligated to redeem such shares.

(c) The Board of Directors, in its sole and absolute discretion, may exempt a Benefit Plan Investor and/or an ERISA Investor from the restrictions set forth in Section 7.2.9(a), provided that the Board of Directors obtains such representations and undertakings from such Benefit Plan Investor or ERISA Investor as are reasonably necessary to ascertain that, as a result of such exemption, the underlying assets of the Corporation will not be deemed to be assets of any ERISA Investor under ERISA or the Code.

Section 7.2.10 Legend. Each certificate for shares of Capital Stock shall bear substantially the following legend:

The shares represented by this certificate are subject to restrictions on Beneficial and Constructive Ownership and Transfer for the purpose, among others, of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Corporation's Charter, (i) no Person (other than a Look-Through Entity) may Beneficially Own shares of the Corporation's Common Stock in excess of 9.8 percent (in value or number of shares) of the outstanding shares of Common Stock of the Corporation unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) no Look-Through Entity may Beneficially Own shares of the Corporation's Common Stock in excess of 15 percent (in value or number of shares) of the outstanding shares of Common Stock of the Corporation unless such Look-Through Entity is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially Own Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code; (iv) no Person may Beneficially Own or Constructively Own Capital Stock that would result in the Corporation failing to qualify as a REIT; (v) no Person may Constructively Own Capital Stock to the extent that such Constructive Ownership would cause any income of the Corporation that would otherwise qualify as "rents from real property" for purposes of Section 856(d) of the Code to fail to qualify as such; and (vi) no Person may Transfer shares of Capital Stock if such Transfer would result in the Capital Stock of the Corporation being beneficially owned by fewer than 100 Persons. In addition, prior to the date that any class or series of Capital Stock constitutes Publicly Offered Securities, no Person may Transfer any shares of any class or series of Capital Stock if such Transfer would result in Benefit Plan Investors holding, in the aggregate, 25% or more of the value of any class or series of shares of Capital Stock; provided that on and after the date that any class or series of Capital Stock constitutes Publicly Offered Securities, no Person may Transfer any shares of any class or series of Capital Stock that does not constitute Publicly Offered Securities to an ERISA Investor. Any Person who Beneficially Owns, Constructively Owns or beneficially owns (or attempts to Beneficially Own, Constructively Own or beneficially own) shares of Capital Stock which causes or will cause a Person to Beneficially Own, Constructively Own or beneficially own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. If any of the restrictions on transfer or ownership are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries. In addition, the Corporation may redeem shares upon the terms and conditions specified by the Board of Directors in its sole discretion if the Board of Directors determines that ownership or a Transfer or other event may violate the restrictions described above. Furthermore, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. All capitalized terms in this legend have the meanings defined in the Charter of the Corporation, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Capital Stock of the Corporation on request and without charge. Requests for such a copy may be directed to the Secretary of the Corporation at its Principal Office.

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

Section 7.3 Transfer of Capital Stock in Trust.

Section 7.3.1 Ownership in Trust. Upon any purported Transfer, Non-Transfer Event or other event described in Section 7.2.1(b) or Section 7.2.9(b) that would result in a transfer of shares of Capital Stock to a Trust, such shares of Capital Stock shall be deemed to have been transferred to the Trustee as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer, Non-Transfer Event or other event that results in the transfer to the Trust pursuant to Section 7.2.1(b) or Section 7.2.9(b). The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 7.3.6.

Section 7.3.2 Status of Shares Held by the Trustee. Shares of Capital Stock held by the Trustee shall be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

Section 7.3.3 Dividend and Voting Rights. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee shall be paid by the recipient of such dividend or distribution to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Trust and, subject to Maryland law, effective as of the date that the shares of Capital Stock have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VII, until the Corporation has received notification that shares of Capital Stock have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

Section 7.3.4 Sale of Shares by Trustee. Within 20 days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Trust, the

Trustee of the Trust shall sell the shares held in the Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 7.2.1(a) and Section 7.2.9(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 7.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the Trust. The Trustee may reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 7.3.3 of this Article VII. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 7.3.4, such excess shall be paid to the Trustee upon demand.

Section 7.3.5 Purchase Right in Stock Transferred to the Trustee. Shares of Capital Stock transferred to the Trustee shall be deemed to have been offered for sale to the

Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation may reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which has been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 7.3.3 of this Article VII. The Corporation may pay the amount of such reduction to the Trustee for the benefit of the Charitable Beneficiary. The Corporation shall have the right to accept such offer until the Trustee has sold the shares held in the Trust pursuant to Section 7.3.4. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 7.3.6 Designation of Charitable Beneficiaries. By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that (i) the shares of Capital Stock held in the Trust would not violate the restrictions set forth in Section 7.2.1(a) and Section 7.2.9(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Section 7.4 NYSE Transactions. Nothing in this Article VII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 7.5 Enforcement. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VII.

Section 7.6 Non-Waiver. No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

ARTICLE VIII

AMENDMENTS; EXTRAORDINARY ACTIONS

Section 8.1 Amendments Generally. The Corporation reserves the right from time to time to make any amendment to the Charter, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the charter, of any shares of outstanding stock. All rights and powers conferred by the charter on stockholders, directors and officers are granted subject to this reservation.

Section 8.2 Approval of Charter Amendments and Extraordinary Actions.

(a) Required Votes. Upon being declared advisable by the Board of Directors, the affirmative vote of the holders of shares entitled to cast at least two-thirds of the votes entitled to be cast on the matter, each voting as a separate class, shall be necessary to effect any:

(i) amendment to the Charter, except for those amendments permitted to be made without stockholder approval under Maryland law or by specific provision in the Charter;

(ii) share exchange, merger or consolidation of the Corporation with or into any person, except for those mergers permitted to be effected without stockholder approval under Maryland law; or

(iii) sale of all or substantially all of the assets of the Corporation, or liquidation or dissolution of the Corporation; provided, however, that, if the Continuing Directors (as defined herein), by a vote of at least 75% of such Continuing Directors, in addition to approval by the Board of Directors, approve such proposed action or amendment, the affirmative vote of the holders of a majority of the votes entitled to be cast shall be sufficient to approve such matter.

(b) Continuing Directors. "Continuing Directors" means the directors identified in Section 5.1 and the directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the Continuing Directors then serving as a director of the Corporation.

ARTICLE IX

LIMITATION OF LIABILITY

To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers of a corporation, no present or former director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article IX, nor the adoption or amendment of any other provision of the Charter or Bylaws inconsistent with this Article IX, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

THIRD: The amendment to and restatement of the charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article IV of the foregoing amendment and restatement of the charter.

FIFTH: The name and address of the Corporation’s current resident agent is as set forth in Article IV of the foregoing amendment and restatement of the charter.

SIXTH: The number of directors of the Corporation and the names of those currently in office are as set forth in Article V of the foregoing amendment and restatement of the charter.

SEVENTH: The total number of shares of stock which the Corporation had authority to issue immediately prior to this amendment and restatement was 2,000, consisting of 2,000 shares of Common Stock, $.01 par value per share. The aggregate par value of all shares of stock having par value was $2.

EIGHTH: The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the charter is 110,000,000, consisting of 100,000,000 shares of Common Stock, $.01 par value per share, and 10,000,000 shares of Preferred Stock, $.01 par value per share. The aggregate par value of all authorized shares of stock having par value is $1,100,000.

NINTH: The undersigned President acknowledges these Articles of Amendment and Restatement to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its President and attested to by its Secretary on this 25th day of June, 2004.

ATTEST:	DIAMONDROCK HOSPITALITY COMPANY
/s/ Michael D. Schecter	By: /s/ William W. McCarten (SEAL)
Secretary	President

Exhibit 3.2

DIAMONDROCK HOSPITALITY COMPANY

AMENDED AND RESTATED BYLAWS

ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Corporation in the State of Maryland shall be located at such place as the Board of Directors may designate.

Section 2. ADDITIONAL OFFICES. The Corporation may have additional offices, including a principal executive office, at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. PLACE. All meetings of stockholders shall be held at the principal executive office of the Corporation or at such other place as shall be set by the Board of Directors and stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on a date and at the time set by the Board of Directors during the month of May in each year.

Section 3. SPECIAL MEETINGS.

(a) General. The chairman of the board, president, chief executive officer or Board of Directors may call a special meeting of the stockholders. Subject to subsection (b) of this Section 3, a special meeting of stockholders shall also be called by the secretary of the Corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

(b) Stockholder Requested Special Meetings. (1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the secretary (the “Record Date Request Notice”) by registered mail, return receipt requested, request the Board of Directors to fix a record date to determine the stockholders entitled to request a special meeting (the “Request Record Date”). The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their agents duly authorized in a writing accompanying the Record Date Request Notice), shall bear the date of signature of each such stockholder (or such agent) and shall set forth all information relating to each such stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Upon receiving the Record

Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Directors. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request Record Date shall be the close of business on the tenth day after the first date on which the Record Date Request Notice is received by the secretary.

(2) In order for any stockholder to request a special meeting, one or more written requests for a special meeting signed by stockholders of record (or their agents duly authorized in a writing accompanying the request) as of the Request Record Date entitled to cast not less than a majority (the "Special Meeting Percentage") of all of the votes entitled to be cast at such meeting (the "Special Meeting Request") shall be delivered to the secretary. In addition, the Special Meeting Request (a) shall set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to those lawful matters set forth in the Record Date Request Notice received by the secretary), (b) shall bear the date of signature of each such stockholder (or such agent) signing the Special Meeting Request, (c) shall set forth the name and address, as they appear in the Corporation's books, of each stockholder signing such request (or on whose behalf the Special Meeting Request is signed), the class, series and number of all shares of stock of the Corporation which are owned by each such stockholder, and the nominee holder for, and number of, shares owned by such stockholder beneficially but not of record, (d) shall be sent to the secretary by registered mail, return receipt requested, and (e) shall be received by the secretary within 60 days after the Request Record Date. Any requesting stockholder (or agent duly authorized in a writing accompanying the revocation or the Special Meeting Request) may revoke his, her or its request for a special meeting at any time by written revocation delivered to the secretary.

(3) The secretary shall inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting (including the Corporation's proxy materials). The secretary shall not be required to call a special meeting upon stockholder request and such meeting shall not be held unless, in addition to the documents required by paragraph (2) of this Section 3(b), the secretary receives payment of such reasonably estimated cost prior to the mailing of any notice of the meeting.

(4) Except as provided in the next sentence, any special meeting shall be held at such place, date and time as may be designated by the chairman of the board, chief executive officer, president or Board of Directors, whoever has called the meeting. In the case of any special meeting called by the secretary upon the request of stockholders (a "Stockholder Requested Meeting"), such meeting shall be held at such place, date and time as may be designated by the Board of Directors; provided, however, that the date of any Stockholder Requested Meeting shall be not more than 90 days after the record date for such meeting (the "Meeting Record Date"); and provided further that if the Board of Directors fails to designate, within ten days after the date that a valid Special Meeting Request is actually received by the secretary (the "Delivery Date"), a date and time for a Stockholder Requested Meeting, then such meeting shall be held at 2:00 p.m. local time on the 90^{th} day after the Meeting Record Date or, if such 90^{th} day is not a Business Day (as defined below), on the first preceding Business Day; and provided further that in the event that the Board of Directors fails to designate a place for a Stockholder Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive office of the Corporation. In fixing a date for

any special meeting, the chairman of the board, chief executive officer, president or Board of Directors may consider such factors as he, she or it deems relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for the meeting and any plan of the Board of Directors to call an annual meeting or a special meeting. In the case of any Stockholder Requested Meeting, if the Board of Directors fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date. The Board of Directors may revoke the notice for any Stockholder Requested Meeting in the event that the requesting stockholders fail to comply with the provisions of paragraph (3) of this Section 3(b).

(5) If written revocations of requests for the special meeting have been delivered to the secretary and the result is that stockholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting to the secretary, the secretary shall: (i) if the notice of meeting has not already been mailed, refrain from mailing the notice of the meeting and send to all requesting stockholders who have not revoked such requests written notice of any revocation of a request for the special meeting, or (ii) if the notice of meeting has been mailed and if the secretary first sends to all requesting stockholders who have not revoked requests for a special meeting written notice of any revocation of a request for the special meeting and written notice of the secretary's intention to revoke the notice of the meeting, revoke the notice of the meeting at any time before ten days before the commencement of the meeting. Any request for a special meeting received after a revocation by the secretary of a notice of a meeting shall be considered a request for a new special meeting.

(6) The chairman of the board, chief executive officer, president or Board of Directors may appoint regionally or nationally recognized independent inspectors of elections to act as the agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received by the secretary. For the purpose of permitting the inspectors to perform such review, no such purported request shall be deemed to have been delivered to the secretary until the earlier of (i) five Business Days after receipt by the secretary of such purported request and (ii) such date as the independent inspectors certify to the Corporation that the valid requests received by the secretary represent at least a majority of the issued and outstanding shares of stock that would be entitled to vote at such meeting. Nothing contained in this paragraph (6) shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(7) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in New York City are authorized or obligated by law or executive order to close.

Section 4. NOTICE. Not less than ten nor more than 90 days before each meeting of stockholders, the secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail, by presenting it to such stockholder personally, by leaving it at the stockholder's residence or usual place of business or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at the stockholder's address as it appears on the records of the Corporation, with postage thereon prepaid.

Subject to Section 11(a) of this Article II, any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice.

Section 5. ORGANIZATION AND CONDUCT. Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chairman of the meeting or, in the absence of such appointment, by the chairman of the board or, in the case of a vacancy in the office or absence of the chairman of the board, by one of the following officers present at the meeting: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or, in the absence of such officers, a chairman chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The secretary, or, in the secretary's absence, an assistant secretary, or in the absence of both the secretary and assistant secretaries, a person appointed by the Board of Directors or, in the absence of such appointment, a person appointed by the chairman of the meeting shall act as secretary. In the event that the secretary presides at a meeting of the stockholders, an assistant secretary, or in the absence of assistant secretaries, an individual appointed by the Board of Directors or the chairman of the meeting, shall record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of stockholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairman, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies and other such individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies and other such individuals as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) determining when the polls should be opened and closed; (f) maintaining order and security at the meeting; (g) removing any stockholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; and (h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting. Unless otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 6. QUORUM. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting on any matter shall constitute a quorum; but this section shall not affect any requirement under any statute or the charter of the Corporation for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the stockholders, the chairman of the meeting shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

The stockholders present either in person or by proxy, at a meeting which has been duly called and convened, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 7. VOTING. A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or by the charter of the Corporation. Unless otherwise provided by statute or by the charter, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders. Voting on any question or in any election may be viva voce unless the chairman of the meeting shall order that voting be by ballot.

Section 8. PROXIES. A stockholder may cast the votes entitled to be cast by the shares of stock owned of record by the stockholder in person or by proxy executed by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law. Such proxy or evidence of authorization of such proxy shall be filed with the secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its date unless otherwise provided in the proxy.

Section 9. VOTING OF STOCK BY CERTAIN HOLDERS. Stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in his or her name as such fiduciary, either in person or by proxy.

Shares of stock of the Corporation directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

Section 10. INSPECTORS. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more individual inspectors or one or more entities that designate individuals as inspectors to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the chairman of the meeting. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. Each such report shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 11. ADVANCE NOTICE OF STOCKHOLDER NOMINEES FOR DIRECTOR AND OTHER STOCKHOLDER PROPOSALS.

(a) Annual Meetings of Stockholders. (1) Nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice by the stockholder as provided for in this Section 11(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with this Section 11(a).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 11, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and such other business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall set forth all information required under this Section 11 and shall be delivered to the secretary at the principal executive office of the Corporation not earlier than the 120^{th} day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting nor later than 5:00 p.m., Eastern Time, on the 90^{th} day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the 120^{th} day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 90^{th} day prior to the date of such annual

meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (i) as to each individual whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such individual, (B) the class, series and number of any shares of stock of the Corporation that are beneficially owned by such individual, (C) the date such shares were acquired and the investment intent of such acquisition and (D) all other information relating to such individual that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder (including such individual's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a description of such business, the reasons for proposing such business at the meeting and any material interest in such business of such stockholder and any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder and the Stockholder Associated Person therefrom; (iii) as to the stockholder giving the notice and any Stockholder Associated Person, the class, series and number of all shares of stock of the Corporation which are owned by such stockholder and by such Stockholder Associated Person, if any, and the nominee holder for, and number of, shares owned beneficially but not of record by such stockholder and by any such Stockholder Associated Person; (iv) as to the stockholder giving the notice and any Stockholder Associated Person covered by clauses (ii) or (iii) of this paragraph (2) of this Section 11(a), the name and address of such stockholder, as they appear on the Corporation's stock ledger and current name and address, if different, and of such Stockholder Associated Person; and (v) to the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or reelection as a director or the proposal of other business on the date of such stockholder's notice.

(3) Notwithstanding anything in this subsection (a) of this Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement of such action at least 100 days prior to the first anniversary of the date of mailing of the notice of the preceding year's annual meeting, a stockholder's notice required by this Section 11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive office of the Corporation not later than 5:00 p.m., Eastern Time, on the tenth day following the day on which such public announcement is first made by the Corporation.

(4) For purposes of this Section 11, "Stockholder Associated Person" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder and (iii) any person controlling, controlled by or under common control with such Stockholder Associated Person.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 11 and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more individuals to the Board of Directors, any such stockholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (2) of this Section 11(a) shall be delivered to the secretary at the principal executive office of the Corporation not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Eastern Time on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(c) General. (1) Upon written request by the secretary or the Board of Directors or any committee thereof, any stockholder proposing a nominee for election as a director or any proposal for other business at a meeting of stockholders shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory, in the discretion of the Board of Directors or any committee thereof or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 11. If a stockholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 11.

(2) Only such individuals who are nominated in accordance with this Section 11 shall be eligible for election by stockholders as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with this Section 11. The chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 11.

(3) For purposes of this Section 11, (a) the "date of mailing of the notice" shall mean the date of the proxy statement for the solicitation of proxies for election of directors and (b) "public announcement" shall mean disclosure (i) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or comparable news service or (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, nor the right of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

Section 12. CONTROL SHARE ACQUISITION ACT. Notwithstanding any other provision of the charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (the "MGCL"), or any successor statute shall not apply to any acquisition by any person of shares of stock of the Corporation. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE III

DIRECTORS

Section 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

Section 2. NUMBER, TENURE AND QUALIFICATIONS. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may establish, increase or decrease the number of directors, provided that the number thereof shall never be less than the minimum number required by the MGCL, nor more than 15, and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors.

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors. The Board of Directors may provide, by resolution, the time and place for the holding of regular meetings of the Board of Directors without other notice than such resolution.

Section 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the chairman of the board, the chief executive officer, the president or by a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them. The Board of Directors may provide, by resolution, the time and place for the holding of special meetings of the Board of Directors without other notice than such resolution.

Section 5. NOTICE. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each director at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the director or his or her agent is personally given such notice in a telephone call to which the director or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to applicable law, the charter of the Corporation or these Bylaws, the vote of a majority of a particular group of directors is required for action, a quorum must also include a majority of such group.

The directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 7. VOTING. The action of the majority of the directors present at a meeting at which a quorum is present shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable law, the charter or these Bylaws. If enough directors have withdrawn from a meeting to leave less than a quorum but the meeting is not adjourned, the action of the majority of that number of directors necessary to constitute a quorum at such meeting shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable law, the charter or these Bylaws.

Section 8. ORGANIZATION. At each meeting of the Board of Directors, the chairman of the board or, in the absence of the chairman, the vice chairman of the board, if any, shall act as chairman of the meeting. In the absence of both the chairman and vice chairman of the board, the chief executive officer or in the absence of the chief executive officer, the president or in the absence of the president, a director chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in his or her absence, an assistant secretary of the Corporation, or in the absence of the secretary and all assistant secretaries, a person appointed by the Chairman, shall act as secretary of the meeting.

Section 9. TELEPHONE MEETINGS. Directors may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 10. CONSENT BY DIRECTORS WITHOUT A MEETING. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each director and is filed with the minutes of proceedings of the Board of Directors.

Section 11. VACANCIES. If for any reason any or all the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder. Prior to the effectiveness of the Corporation's election in Article V of the charter, any vacancy on the Board of Directors may be filled in the manner otherwise permitted by the MGCL. Upon the effectiveness of the Corporation's election in Article V of the charter, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, (a) any vacancy on the Board of Directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum and (b) any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies.

Section 12. COMPENSATION. Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Corporation and for any service or activity they performed or engaged in as directors. Directors may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they performed or engaged in as directors; but nothing herein contained shall be construed to preclude any directors from serving the Corporation in any other capacity and receiving compensation therefor.

Section 13. LOSS OF DEPOSITS. No director shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or stock have been deposited.

Section 14. SURETY BONDS. Unless required by law, no director shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

Section 15. RELIANCE. Each director, officer, employee and agent of the Corporation shall, in the performance of his or her duties with respect to the Corporation, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Corporation, upon an opinion of counsel or upon reports made to the Corporation by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Board of Directors or officers of the Corporation, regardless of whether such counsel or expert may also be a director.

Section 16. CERTAIN RIGHTS OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS. The directors shall have no responsibility to devote their full time to the affairs of the Corporation. Any director or officer, employee or agent of the Corporation, in his or her personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar to, in addition to or in competition with those of or relating to the Corporation.

ARTICLE IV

COMMITTEES

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee and other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors.

Section 2. POWERS. The Board of Directors may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Directors, except as prohibited by law.

Section 3. MEETINGS. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Directors may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the Committee) may fix the time and place of its meeting unless the Board shall otherwise provide. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another director to act in the place of such absent member. Each committee shall keep minutes of its proceedings.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. CONSENT BY COMMITTEES WITHOUT A MEETING. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each member of the committee and is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V

OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Corporation shall include a president, a secretary and a treasurer and may include a chairman of the board, a vice chairman of the board, a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Directors may from time to time elect such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Corporation shall be elected annually by the Board of Directors, except that the chief executive officer or president may from time to time appoint one or more vice presidents, assistant secretaries and assistant treasurers or other officers. Each officer shall hold office until his or her successor is elected and qualifies or until his or her death, or his or her resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Corporation may be removed, with or without cause, by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors, the chairman of the board, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the notice of resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

Section 3. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

Section 4. CHIEF EXECUTIVE OFFICER. The Board of Directors may designate a chief executive officer. In the absence of such designation, the chairman of the board shall be the chief executive officer of the Corporation. The chief executive officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. CHIEF OPERATING OFFICER. The Board of Directors may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 6. CHIEF FINANCIAL OFFICER. The Board of Directors may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 7. CHAIRMAN OF THE BOARD. The Board of Directors shall designate a chairman of the board. The chairman of the board shall preside over the meetings of the Board of Directors and of the stockholders at which he shall be present. The chairman of the board shall perform such other duties as may be assigned to him or her by the Board of Directors.

Section 8. PRESIDENT. In the absence of a chief executive officer, the president shall in general supervise and control all of the business and affairs of the Corporation. In the absence of a designation of a chief operating officer by the Board of Directors, the president shall be the chief operating officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 9. VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the president or by the Board of Directors. The Board of Directors may designate one or more vice presidents as executive vice president, senior vice president, or as vice president for particular areas of responsibility.

Section 10. SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him by the chief executive officer, the president or by the Board of Directors.

Section 11. TREASURER. The treasurer shall have the custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. In the absence of a designation of a chief financial officer by the Board of Directors, the treasurer shall be the chief financial officer of the Corporation.

The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and Board of Directors, at the regular meetings of the Board of Directors or whenever it may so require, an account of all his or her transactions as treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

Section 12. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors.

Section 13. SALARIES. The salaries and other compensation of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a director.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Directors, the Executive Committee or another committee of the Board of Directors within the scope of its delegated authority may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Corporation when duly authorized or ratified by action of the Board of Directors or the Executive Committee or such other committee and executed by an authorized person.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

ARTICLE VII

STOCK

Section 1. CERTIFICATES; REQUIRED INFORMATION. In the event that the Corporation issues shares of stock represented by certificates, such certificates shall be signed by the officers of the Corporation in the manner permitted by the MGCL and contain the statements and information required by the MGCL. In the event that the Corporation issues shares of stock without certificates, the Corporation shall provide to record holders of such shares a written statement of the information required by the MGCL to be included on stock certificates.

Section 2. TRANSFERS. Upon surrender to the Corporation or the transfer agent of the Corporation of a stock certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class of stock will be subject in all respects to the charter of the Corporation and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATE. Any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Board of Directors may, in his or her discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not longer than 20 days. If the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the directors, declaring the dividend or allotment of rights, is adopted.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

Section 5. STOCK LEDGER. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

Section 6. FRACTIONAL STOCK; ISSUANCE OF UNITS. The Board of Directors may issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the charter or these Bylaws, the Board of Directors may issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

ARTICLE VIII

ACCOUNTING YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

ARTICLE IX

DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the stock of the Corporation may be authorized by the Board of Directors, subject to the provisions of law and the charter of the Corporation. Dividends and other distributions may be paid in cash, property or stock of the Corporation, subject to the provisions of law and the charter.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation, and the Board of Directors may modify or abolish any such reserve.

ARTICLE X

INVESTMENT POLICY

Subject to the provisions of the charter of the Corporation, the Board of Directors may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Corporation as it shall deem appropriate in its sole discretion.

ARTICLE XI

SEAL

Section 1. SEAL. The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall contain the name of the Corporation and the year of its incorporation and the words “Incorporated Maryland.” The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word “(SEAL)” adjacent to the signature of the person authorized to execute the document on behalf of the Corporation.

ARTICLE XII

INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity. The Corporation may, with the approval of its Board of Directors or any duly authorized committee thereof, provide such indemnification and advance for expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation. The indemnification and payment of expenses provided in these Bylaws shall not be deemed exclusive of or limit in any way other rights to which any person seeking indemnification or payment of expenses may be or may become entitled under any bylaw, regulation, insurance, agreement or otherwise.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Bylaws or charter of the Corporation inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE XIII

WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the charter of the Corporation or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIV

AMENDMENT OF BYLAWS

The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws.

Adopted and effective by Resolution of the Board of Directors as of June 4, 2004.

Exhibit 10.1

AGREEMENT OF LIMITED PARTNERSHIP

OF

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP

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EXHIBITS

AGREEMENT OF LIMITED PARTNERSHIP
OF
DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP

THIS AGREEMENT OF LIMITED PARTNERSHIP, dated as of June 4, 2004 (this "Agreement"), is entered into by and between DiamondRock Hospitality Company (the "Company"), a Maryland corporation, as the General Partner of DiamondRock Hospitality Limited Partnership, a Delaware limited partnership (the "Partnership"), and DiamondRock Hospitality, LLC, a Delaware limited liability company, as the initial Limited Partner of the Partnership (the "Initial Limited Partner"), together with any other Persons who become Partners of the Partnership as provided herein.

WHEREAS, the Partnership was formed as a limited partnership under the laws of the State of Delaware pursuant to a Certificate of Limited Partnership filed on May 26, 2004;

WHEREAS, effective as of the date of admission of any other Persons who become Partners of the Partnership as provided herein, DiamondRock Hospitality, LLC as the Initial Limited Partner intends to withdraw as a limited partner of the Partnership and the Partnership intends to redeem the Limited Partner Interests held by such Initial Limited Partner for nominal consideration;

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

ARTICLE 1 - DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended, supplemented or restated from time to time, and any successor to such statute.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Sections 4.2 and 12.2 hereof and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each Partnership taxable year (i) increased by any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership taxable year.

"Adjusted Property" means any property, the Carrying Value of which has been adjusted pursuant to Exhibit B hereof. Once an Adjusted Property is deemed contributed to the Partnership for federal income tax purposes upon a termination thereof pursuant to Section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is further adjusted pursuant to Exhibit B hereof.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. No officer, director or shareholder of the General Partner shall be considered an Affiliate of the General Partner solely as a result of serving in such capacity or being a shareholder of the General Partner.

"Agreed Value" means (i) in the case of any Contributed Property as of the time of its contribution to the Partnership, the 704(c) Value of such property, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (ii) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the Regulations thereunder. The aggregate Agreed Value of any Contributed Property contributed or deemed contributed by each Partner is as set forth on Exhibit A.

"Agreement" means this Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time, including by way of adoption of a Certificate of Designations, including any exhibits attached hereto.

"Arbitrator" has the meaning set forth in Article 15 hereof.

"Articles of Incorporation" means the Articles of Incorporation of the Company filed with the Maryland State Department of Assessments and Taxation, as amended or restated from time to time.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"Available Cash" means, with respect to any period for which such calculation is being made, (i) the sum of:

(a) the Partnership's Net Income or Net Loss, as the case may be, for such period (without regard to adjustments resulting from allocations described in Sections 1.A through 1.E of Exhibit C);

(b) Depreciation and all other noncash charges deducted in determining Net Income or Net Loss for such period;

(c) the amount of any reduction in the reserves of the Partnership referred to in clause (ii)(f) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary);

(d) the excess of proceeds from the sale, exchange, disposition, or refinancing of Partnership property for such period over the gain recognized from such sale, exchange, disposition, or refinancing during such period (excluding Terminating Capital Transactions); and

(e) all other cash received by the Partnership for such period that was not included in determining Net Income or Net Loss for such period.

(ii) less the sum of:

(a)all interest, principal and other debt payments made by the Partnership during such period but not included in determining Net Income or Net Loss for such period;

(b) capital expenditures made by the Partnership during such period;

(c) investments made by the Partnership during such period in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(a) or (ii)(b);

(d) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period;

(e) any amount included in determining Net Income or Net Loss for such period that was not received by the Partnership during such period;

(f) the amount of any increase in reserves of the Partnership during such period which the General Partner determines to be necessary or appropriate in its sole and absolute discretion; and

(g) the amount of any working capital accounts and other cash or similar balances which the General Partner determines to be necessary or appropriate, in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of the dissolution and liquidation of the Partnership.

"Book-Tax Disparities" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Exhibit B and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Bethesda, Maryland are authorized or required by law to close.

"Capital Account" means the Capital Account maintained for a Partner pursuant to Exhibit B hereof.

"Capital Contribution" means, with respect to any Partner, any cash, cash equivalents and the Agreed Value of Contributed Property which such Partner contributes or is deemed to contribute to the Partnership pursuant to Sections 4.1, 4.2, 4.3 or 4.4 hereof.

"Carrying Value" means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property, reduced (but not below zero) by all Depreciation with respect to such Contributed Property or Adjusted Property, as the case may be, charged to the Partners' Capital Accounts following the contribution of or adjustment with respect to such property; and (ii) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Exhibit B hereof, and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cash Amount" means an amount of cash equal to the Value on the Valuation Date of the REIT Shares Amount.

"Certificate of Designations" means an amendment to this Agreement that sets forth the designations, rights, powers, duties and preferences of holders of any Partnership Interests issued pursuant to Section 4.2.A, which amendment is in the form of a certificate signed by the General Partner and appended to this Agreement. A Certificate of Designations is not the exclusive manner in which such an amendment may be effected. The General Partner may adopt a Certificate of Designations without the consent of the Limited Partners to the extent permitted pursuant to Section 14.1.B hereof.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership relating to the Partnership filed in the office of the Secretary of State of the State of Delaware, as amended from time to time in accordance with the terms hereof and the Act.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of any succeeding law.

“Common Unit” means a Partnership Unit which is designated as a Common Unit and which has the rights, preferences and other privileges designated herein in respect of Common Unitholders. The allocation of Common Units among the Partners shall be set forth on Exhibit A, as may be amended from time to time.

“Common Unitholder” means a Partner that holds Common Units.

“Company” means DiamondRock Hospitality Company, a Maryland corporation, or its successor, as the case may be.

“Company Debt Securities” has the meaning set forth in Section 4.2.C of this Agreement.

“Consent” means the consent or approval of a proposed action by a Partner given in accordance with Section 14.2 hereof.

“Contributed Property” means each property or other asset, in such form as may be permitted by the Act (but excluding cash), contributed or deemed contributed to the Partnership (including deemed contributions to the Partnership on reconstitution thereof pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Exhibit B hereof, such property shall no longer constitute a Contributed Property for purposes of Exhibit B hereof, but shall be deemed an Adjusted Property for such purposes.

“Conversion Factor” means 1.0, provided that in the event that the Company (i) declares or pays a dividend on its outstanding REIT Shares in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares in REIT Shares; (ii) subdivides its outstanding REIT Shares or (iii) combines its outstanding REIT Shares into a smaller number of REIT Shares, the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, subdivision or combination (assuming for such purpose that such dividend, distribution, subdivision or combination has occurred as of such time), and the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, subdivision or combination. Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event (provided, however, if a Notice of Redemption is given prior to such a record date and the Specified Redemption Date is after such a record date, then the adjustment to the Conversion Factor shall, with respect to such Redeeming Partner, be retroactive to the date of such Notice of Redemption, provided that such dividend, distribution, subdivision or combination occurs as of the effective date of such event). It is intended that adjustments to the Conversion Factor are to be made in order to avoid unintended dilution or anti-dilution as a result of transactions in which REIT Shares are issued, redeemed or exchanged without a corresponding issuance, redemption or exchange of Common Units or of Preferred Units that are convertible into Common Units. If, prior to a Specified Redemption Date, Rights (other than Rights issued pursuant to an employee benefit plan or other compensation arrangement) were issued and have expired, and such Rights were issued with an exercise price that, together with the purchase price for such Rights, was below fair market value in relation to the security or other property to be acquired upon the exercise of such Rights, and such Rights were issued to all holders of outstanding REIT Shares or the General Partner cannot in good faith represent that the issuance of such Rights benefited the Limited Partners, then the Conversion Factor applicable upon a Notice of Redemption shall be equitably adjusted in a manner consistent with anti-dilution provisions in warrants and other instruments in the case of such a below market issuance or exercise price. A similar equitable adjustment to protect the value of Common Units shall be made in all events if any Rights issued under a "Shareholder Rights Plan" became exercisable and expired prior to a Specified Redemption Date.

"Depreciation" means, for each taxable year or other period, an amount equal to the federal income tax depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the General Partner.

"Distribution Period" has the meaning set forth in Section 5.1.B hereof.

"Extraordinary Transaction" means, with respect to the Company, the occurrence of one or more of the following events: (i) a merger (including a triangular merger), consolidation or other combination with or into another Person (other than in connection with a change in the Company's state of incorporation or organizational form); (ii) the direct or indirect sale, lease, exchange or other transfer of all or substantially all of its assets in one transaction or a series of related transactions; (iii) any reclassification, recapitalization or change of its outstanding equity interests (other than a change in par value, or from par value to no par value, or as a result of a split, dividend or similar subdivision); or (iv) the adoption of any plan of liquidation or dissolution of the Company (whether or not in compliance with the provisions of this Agreement).

"Filing Date" has the meaning set forth in Article 15 hereof.

"Full Distribution Period" has the meaning set forth in Section 5.1.B hereof.

"General Partner" means the Company, in its capacity as the general partner of the Partnership, or any Person who becomes a successor general partner of the Partnership.

"General Partner Interest" means a Partnership Interest held by the General Partner, in its capacity as general partner. A General Partner Interest may be expressed as a number of Partnership Units.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Incapacity" or "Incapacitated" means, (i) as to any natural person which is a Partner, death, total physical disability or entry by a court of competent jurisdiction of an order adjudicating him or her incompetent to manage his or her Person or estate; (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its certificate of incorporation; (iii) as to any partnership or limited liability company which is a Partner, the dissolution and commencement of winding up of the partnership or the limited liability company; (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee) or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect; (b) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner; (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors; (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above; (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties; (f) any proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof; (g) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within ninety (90) days of such appointment; or (h) an appointment referred to in clause (g) which has been stayed is not vacated within ninety (90) days after the expiration of any such stay.

"Indemnitee" means (i) any Person made a party to a proceeding by reason of his, her or its status as (a) the Company (b) the General Partner or (c) a director or officer of the Company, the General Partner or the Partnership and (ii) such other Persons (including Affiliates of the Company, General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"Independent Director" means a person who is not an officer or employee of the Company or an affiliate or a lessee or manger of any Property.

"IPO Event" means an initial public offering of equity interests in the Company pursuant to an effective registration statement under the Securities Act of 1933, as amended, involving the sale of an aggregate of [$50,000,000] or more of equity interests in the Company, whether involving a primary offering or a combined primary and secondary offering, pursuant to which such equity interests become listed on a U.S. national securities exchange or any national securities association or any national exchange.

"Limited Partner" means any Person (including the Company) named as a Limited Partner on Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner of the Partnership.

"Limited Partner Interest" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interests of all Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled, as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partner Interest may be expressed as a number of Partnership Units.

"Liquidating Event" has the meaning set forth in Section 13.1.A hereof.

"Liquidator" has the meaning set forth in Section 13.2.A hereof.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain for such taxable period over the Partnership's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with federal income tax accounting principles, subject to the specific adjustments provided for on Exhibit B. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to the special allocation rules in Exhibit C, Net Income or the resulting Net Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction for such taxable period over the Partnership's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with federal income tax accounting principles, subject to the specific adjustments provided for on Exhibit B. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to the special allocation rules in Exhibit C, Net Loss or the resulting Net Income, whichever the case may be, shall be recomputed without regard to such item.

"Newly Issued Unit" has the meaning set forth in Section 5.1 hereof.

"New Securities" has the meaning set forth in Section 4.2.B hereof.

"Nonrecourse Built-in Gain" means, with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Section 2.B of Exhibit C if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership taxable year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means the Notice of Redemption substantially in the form of Exhibit D to this Agreement.

"Partner" means a General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners collectively.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership taxable year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership Debt Securities" has the meaning set forth in Section 4.2.C of this Agreement.

"Partnership Interest" means an ownership interest in the Partnership representing a Capital Contribution by either a Limited Partner or the General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

"Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in a Partnership Minimum Gain, for a Partnership taxable year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner for (i) the distribution of Available Cash with respect to Common Units pursuant to Section 5.1 hereof, which record date shall, unless otherwise determined by the General Partner, be the same as the record date established by the Company for a distribution to its common shareholders of some of all of its portion of such distribution, or (ii) if applicable, determining the Partners entitled to vote on or consent to any proposed action for which the consent or approval of the Partners is sought pursuant to Section 14.2 hereof.

"Partnership Unit" or "Unit" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1, 4.2, 4.3 and 4.4 (and includes any class or series of Preferred Units established after the date hereof). The number of Partnership Units outstanding and (in the case of Common Units) the Percentage Interest in the Partnership represented by such Partnership Units are set forth on Exhibit A attached hereto, as such Exhibit may be amended from time to time. The ownership of Partnership Units shall be evidenced by such form of certificate for Units as the General Partner adopts from time to time unless the General Partner determines that the Partnership Units shall be uncertificated securities.

“Partnership Year” means the fiscal year of the Partnership, which shall be the calendar year.

“Percentage Interest” means, as to a Partner, its percentage interest as a Common Unitholder determined by dividing the Common Units owned by such Partner by the total number of Common Units then outstanding and as specified on Exhibit A attached hereto, as such Exhibit may be amended from time to time.

“Person” means a natural person, corporation, partnership (whether general or limited), limited liability company, trust, estate, unincorporated organization, association, custodian, nominee or any other individual or entity in its own or any representative capacity.

“Preferred Unit” means a limited partnership interest (of any series), other than a Common Unit, represented by a fractional, undivided share of the Partnership Interests of all Partners issued hereunder and which is designated as a “Preferred Unit” (or as a particular class or series of Preferred Units) herein and which has the rights, preferences and other privileges designated herein (including by way of a Certificate of Designations) in respect of a Preferred Unitholder. The allocation of Preferred Units among the Partners shall be set forth on Exhibit A, as may be amended from time to time.

“Preferred Unitholder” means a Limited Partner that holds Preferred Units (of any class or series).

“Property” means any property or other investment in which the Partnership holds an ownership interest.

“Qualified REIT Subsidiary” means any Subsidiary of the General Partner that is a “qualified REIT subsidiary” within the meaning of Section 856(i) of the Code.

“Redeeming Partner” has the meaning set forth in Section 8.6.A hereof.

“Redemption Amount” means either the Cash Amount or the REIT Shares Amount, as determined by the Company, in its sole and absolute discretion. A Redeeming Partner shall have no right, without the Company’s consent, which consent may be given or withheld in the Company’s sole and absolute discretion, to receive the Redemption Amount in the form of the REIT Shares Amount.

“Redemption Right” has the meaning set forth in Section 8.6.A hereof.

“Regulations” means the Federal Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including any corresponding provisions of succeeding regulations).

“REIT” means a real estate investment trust under Sections 856 through 860 of the Code.

“REIT Share” means (i) a share of common stock of the Company or (ii) a common equity security for which the Common Unitholders have the right to exchange their Common

Unit equivalent interests in the Surviving Partnership pursuant to an Extraordinary Transaction permitted by Section 11.2B(2).

"REIT Shares Amount" means a number of REIT Shares equal to the product of (x) the number of Common Units offered for redemption by a Redeeming Partner multiplied by (y) the Conversion Factor in effect on the date of receipt by the Partnership of a Notice of Redemption, provided that, in the event the Company has previously issued to all holders of REIT Shares rights, options, warrants or convertible or exchangeable securities entitling the shareholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, "Rights"), and the Rights have not expired at the Specified Redemption Date, then the REIT Shares Amount shall also include that number of Rights that were issuable to a holder of the REIT Shares Amount or REIT Shares on the applicable record date relating to the issuance of such Rights.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 2.B(1)(a) or 2.B(2)(a) of Exhibit C to eliminate Book-Tax Disparities.

"Rights" has the meaning set forth in the definition of "REIT Shares Amount."

"704(c) Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution, as determined by the General Partner using such reasonable method of valuation as it may adopt. Subject to Exhibit B hereof, the General Partner shall, in its sole and absolute discretion, use such method as it deems reasonable and appropriate to allocate the aggregate of the 704(c) Values of Contributed Properties in a single or integrated transaction among the separate properties on a basis proportional to their respective fair market values.

"Specified Redemption Date" means the tenth (10th) Business Day after receipt by the Partnership (with a copy to the Company) of a Notice of Redemption; provided that if the Company combines its outstanding REIT Shares, no Specified Redemption Date shall occur after the record date of such combination of REIT Shares and prior to the effective date of such combination.

"Subsidiary" means, with respect to any Person, any corporation, partnership or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4 hereof.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under Exhibit B hereof) as of such date over (ii) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereof) as of such date.

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereof) as of such date over (ii) the fair market value of such property (as determined under Exhibit B hereof) as of such date.

"Valuation Date" means the date of receipt by the Partnership of a Notice of Redemption or, if such date is not a Business Day, the first Business Day thereafter.

"Value" means, with respect to a REIT Share, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the Valuation Date. The market price for each such trading day shall be: (i) if the REIT Shares are listed or admitted to trading on any national securities exchange or the NASDAQ National Market System, the closing price on such day as reported by such national securities exchange or the NASDAQ National Market System, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day; (ii) if the REIT Shares are not listed or admitted to trading on any national securities exchange or the NASDAQ National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner; (iii) if the REIT Shares are not listed or admitted to trading on any national securities exchange or the NASDAQ National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than ten (10) days prior to the date in question) for which prices have been so reported; or (iv) if none of the conditions set forth in clauses (i), (ii), or (iii) is met then, unless the holder of the REIT Shares or Units and the General Partner otherwise agree, with respect to a REIT Share per Common Unit offered for redemption, the amount that a holder of one Common Unit would receive if each of the assets of the Partnership were sold for its fair market value on the Specified Redemption Date, the Partnership were to pay all of its outstanding liabilities, and the remaining proceeds were to be distributed to the Partners in accordance with the terms of this Agreement. Such Value shall be determined by the General Partner, acting in good faith and based upon a commercially reasonable estimate of the amount that would be realized by the Partnership if each asset of the Partnership (and each asset of each partnership, limited liability company, trust, joint venture or other entity in which the Partnership owns a direct or indirect interest) were sold to an unrelated purchaser in an arms' length transaction where neither the purchaser nor the seller were under any economic compulsion to enter into the transaction (without regard to any discount in value as a result of the Partnership's minority interest in any property or any illiquidity of the Partnership's interest in any property). In the event the REIT Shares Amount includes Rights, then the Value of such Rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate, provided that the Value of any rights issued pursuant to a "Shareholder Rights Plan" shall be deemed to have no value unless a "triggering event" shall have occurred (i.e., if the Rights issued pursuant thereto are no longer "attached" to the REIT Shares and are able to trade independently).

ARTICLE 2 - ORGANIZATIONAL MATTERS

Section 2.1 Formation and Continuation

The Partnership was formed as a limited partnership organized pursuant to the provisions of the Act by the filing of the Certificate of Limited Partnership with the Delaware Secretary of State on May 26, 2004. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 Name

The name of the Partnership is DiamondRock Hospitality Limited Partnership. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office and Agent; Principal Office

The address of the registered office of the Partnership in the State of Delaware and the name and address of the registered agent for service of process on the Partnership in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The principal business office of the Partnership shall be 10400 Fernwood Road, Bethesda, Maryland, 20817. The General Partner may from time to time designate in its sole and absolute discretion another registered agent or another location for the registered office or principal place of business, and shall provide the Limited Partners with notice of such change promptly following its effective date. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4 Power of Attorney

A. Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(1) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all certificates, documents and other instruments (including,

without limitation, this Agreement and the Certificate of Limited Partnership and all amendments or restatements thereof) that the General Partner or any Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the Limited Partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may or plans to conduct business or own property; (b) all instruments that the General Partner deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article 11, 12 or 13 hereof or the Capital Contribution of any Partner and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

(2) execute, swear to, seal, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article 14 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner and any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee or the transfer of all or any portion of such Limited Partner’s or Assignee’s Partnership Units and shall extend to such Limited Partner’s or Assignee’s heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney, and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or any Liquidator, within fifteen (15) days after receipt of the General Partner’s or such Liquidator’s request therefor, such further designation, powers of attorney and other instruments as the General Partner or any Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.5 Term

The term of the Partnership commenced on May 26, 2004 and shall continue until December 31, 2104, unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 or as otherwise provided by law.

ARTICLE 3 - PURPOSE

Section 3.1 Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act; provided, however, that such business shall be limited to and conducted in such a manner as to permit the Company at all times to be qualified as a REIT, unless the Company is not qualified or ceases to qualify as a REIT for any reason or reasons other than the conduct of the business of the Partnership; (ii) to enter into any partnership, joint venture, limited liability company or other similar arrangement to engage in any of the foregoing or to own interests in any entity engaged, directly or indirectly, in any of the foregoing; and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, and without limiting the Company's right, in its sole discretion, to cease qualifying as a REIT, the Partners acknowledge that the Company's status as a REIT inures to the benefit of all of the Partners and not solely the General Partner or its Affiliates.

Section 3.2 Powers

The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness whether or not secured by mortgage, deed of trust, pledge or other lien, acquire, own, manage, improve and develop real property, and lease, sell, transfer and dispose of real property; provided, however, that the Partnership shall not take, or omit to take, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the Company to achieve or maintain qualification as a REIT; (ii) could subject the Company to any additional taxes under Section 857 or Section 4981 of the Code or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the Company or its securities, unless any such action (or inaction) under the foregoing clauses (i), (ii) or (iii) shall have been specifically consented to by the Company in writing.

ARTICLE 4 - CAPITAL CONTRIBUTIONS

Section 4.1 Capital Contributions of the Partners

A. The Partners shall make Capital Contributions to the Partnership, shall own Partnership Units in the amounts set forth on Exhibit A, and have Percentage Interests as set forth on Exhibit A, which number of Partnership Units and Percentage Interests shall be adjusted from time to time on Exhibit A by the General Partner to the extent necessary to accurately reflect the issuance of additional Partnership Units, the redemption of Partnership Units, additional Capital Contributions and similar events having an effect on a Partner's Percentage Interest occurring after the date hereof in accordance with the terms of this Agreement.

B. A number of Common Units held by the General Partner equal to one percent (1%) of all outstanding Common Units shall be deemed to be the General Partner Partnership Units and shall be the General Partner Interest. All other Partnership Units held by the General Partner shall be deemed to be Limited Partner Interests and shall be held by the General Partner in its capacity as a Limited Partner in the Partnership.

C. To the extent the Partnership acquires any property (or an indirect interest therein) by the merger of any other Person into the Partnership or with or into a Subsidiary of the Partnership in a triangular merger, Persons who receive Partnership Interests in exchange for their interests in the Person merging into the Partnership or with or into a Subsidiary of the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable merger agreement (or if not so provided, as determined by the General Partner in its sole discretion) and as set forth on Exhibit A, as amended to reflect such deemed Capital Contributions.

D. Except as provided in Sections 4.2, 4.3, 10.5, and 13.3, the Partners shall have no obligation to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 Future Issuances of Additional Partnership Interests

A. The General Partner is hereby authorized, in its sole and absolute discretion and without the approval of the Limited Partners, to cause the Partnership from time to time to issue to the Partners (including the General Partner and its Affiliates) or other Persons (including, without limitation, in connection with the contribution of cash and other property to the Partnership) additional Partnership Units or other Partnership Interests in one or more classes, or in one or more series of any of such classes, with such designations, preferences, and relative, participating, optional, or other special rights, powers and duties all as shall be determined by the General Partner in its sole and absolute discretion subject to Delaware law, including, without limitation, (i) rights, powers, and duties senior to one or more classes or series of Partnership Interests and any other Common Units outstanding or thereafter issued; (ii) the rights to an allocation of items of Partnership income, gain, loss, deduction, and credit to each such class or series of Partnership Interests; (iii) the rights of each such class or series of Partnership Interests to share in Partnership distributions; and (iv) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; provided that no such additional Partnership Units or other Partnership Interests shall be issued to the General Partner or the Company or any direct or indirect wholly-owned Subsidiary of the Company, unless either (a)(1) the additional Partnership Interests are issued in connection with the grant, award or issuance of REIT Shares or other equity interests in the Company, which REIT Shares or other equity interests have designations, preferences and other rights such that the economic interests attributable to such REIT Shares or other equity interests are substantially identical to the designations, preferences and other rights of the additional Partnership Interests issued to the General Partner or the Company or any direct or indirect wholly-owned Subsidiary of the

Company (as appropriate) in accordance with this Section 4.2.A, and (2) the Company shall, directly or indirectly, make a Capital Contribution to the Partnership in an amount equal to any net proceeds raised in connection with such issuance, (b) the additional Partnership Interests are issued in exchange for property owned by the Company (or any direct or indirect wholly-owned Subsidiary of the Company) with a fair market value, as determined by the General Partner, in good faith, equal to the value of the Partnership Interests, or (c) the additional Partnership Interests are issued to all Partners in proportion to their respective Percentage Interests. In addition, the General Partner may acquire Partnership Units from other Partners pursuant to this Agreement.

B. From and after the date hereof, the Company shall not issue any additional REIT Shares (other than REIT Shares issued pursuant to Section 8.6) or rights, options, warrants, or convertible or exchangeable securities containing the right to subscribe for or purchase REIT Shares (collectively "New Securities") other than to all holders of REIT Shares unless (i) the General Partner shall cause the Partnership to issue to the Company (directly or to the Company's wholly-owned Subsidiaries) Partnership Interests or rights, options, warrants, or convertible or exchangeable securities of the Partnership having designations, preferences, and other rights, all such that the economic interests are substantially identical to those of the New Securities and (ii) the Company directly or indirectly contributes to the Partnership the proceeds from the issuance of such New Securities and from the exercise of rights contained in such New Securities, provided, however, that the Company is allowed to issue New Securities in connection with an acquisition of a property to be held directly by the Company (or through a wholly-owned Subsidiary), but if and only if, such direct acquisition and issuance of New Securities have been approved and determined to be in the best interests of the Company and the Partnership by a majority of Independent Directors. Without limiting the foregoing, the Company is expressly authorized to issue New Securities for no tangible value or for less than fair market value, and the General Partner is expressly authorized to cause the Partnership to issue to the Company corresponding Partnership Interests, so long as (a) the General Partner concludes in good faith that such issuance is in the interests of the Company and the Partnership (for example, and not by way of limitation, the issuance of REIT Shares and corresponding Units pursuant to an employee stock purchase plan providing for employee grants or purchases of REIT Shares or employee stock options that have an exercise price that is less than the fair market value of the REIT Shares, either at the time of issuance or at the time of exercise) and (b) the Company contributes all proceeds, if any, from such issuance and exercise to the Partnership.

C. In the event that the Company issues debt securities ("Company Debt Securities"), the General Partner is hereby authorized (but is not required), in its sole and absolute discretion and without the approval of the Limited Partners, to cause the Partnership to issue either debt securities ("Partnership Debt Securities") or Preferred Units to the General Partner or the Company (or any wholly-owned Subsidiary of the Company) with substantially similar terms as the Company Debt Securities, provided, however, that in the event that the Partnership issues any such Partnership Debt Securities or Preferred Units, (a) the Company shall directly or indirectly contribute to the Partnership the proceeds from the corresponding Company Debt Securities and (b) any such Partnership Debt Securities shall contain such terms as the General Partner determines are necessary or advisable for such Partnership Debt Securities to be treated as "real estate assets" for purposes of Code Section 856(c)(4)(A).

D. In the event that the Partnership issues Partnership Interests pursuant to Section 4.2.A or Section 4.2.C, the General Partner shall make such revisions to this Agreement (without any requirement of receiving approval of the Limited Partners) including, but not limited to, the revisions described in Section 5.4, Section 6.1 and Section 8.6 hereof, as it deems necessary to reflect the issuance of such additional Partnership Interests and the special rights, powers, and duties associated therewith.

Section 4.3 Contribution of Proceeds of Issuance of REIT Shares

In connection with any issuance of New Securities or Company Debt Securities as described in Section 4.2, if the proceeds actually received by the Company are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the Company shall be deemed to have made a Capital Contribution to the Partnership (directly or through wholly-owned Subsidiaries) in the amount equal to the sum of the net proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the Company (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the case of employee acquisitions of New Securities at a discount from fair market value or for no value in connection with a grant of New Securities, the amount of such discount representing compensation to the employee, as determined by the General Partner, shall be treated as an expense of the issuance of such New Securities.

Section 4.4 Other Contribution Provisions

If any Partner is admitted to the Partnership and is given a positive Capital Account balance in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership as if the Partnership had compensated such Partner in cash, and such Partner had contributed such cash to the capital of the Partnership.

Section 4.5 No Preemptive Rights

Except to the extent expressly granted by the Partnership pursuant to another agreement, no Person shall have any preemptive, preferential or other similar right with respect to (i) Capital Contributions or loans to the Partnership or (ii) the issuance or sale of any Partnership Units or other Partnership Interests.

Section 4.6 No Interest on Capital

No Partner shall be entitled to interest on its Capital Contributions or its Capital Account. Except as provided herein or by law, no Partner shall have any right to withdraw any part of its Capital Account or to demand or receive the return of its Capital Contributions.

ARTICLE 5 - DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions

A. Subject to the rights and preferences of any outstanding class or series of Preferred Units expressly provided for in an agreement (including a Certificate of Designations), and except as provided in Section 5.1.B, the General Partner shall distribute at least quarterly an amount equal to one hundred percent (100%) of Available Cash, or such lesser amount as the General Partner may in its sole and absolute discretion determine, generated by the Partnership during such quarter or shorter period to the Common Unitholders who are Partners on the Partnership Record Date with respect to such quarter or shorter period in accordance with their respective Percentage Interests on such Partnership Record Date; provided that in no event may a Partner receive a distribution of Available Cash with respect to a Common Unit if such Partner is entitled to receive a distribution out of such Available Cash with respect to a REIT Share for which such Common Unit has been exchanged or redeemed and such distribution shall instead be made to the Company. The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the Company's qualification as a REIT, to cause the Partnership to distribute Available Cash (i) to permit the Company to satisfy the requirements for qualifying as a REIT under the Code, including applicable shareholder distribution requirements and (ii) except to the extent otherwise determined by the General Partner, to minimize any federal income or excise tax liability of the Company. Unless otherwise expressly provided for herein or in an agreement (including a Certificate of Designations) at the time a new class of Partnership Interests is created in accordance with Article 4 hereof, no Partnership Interest shall be entitled to a distribution in preference to any other Partnership Interest.

B. Notwithstanding the provisions of Section 5.1.A above or any other provision of this Agreement, if for any quarter or shorter period with respect to which a distribution is to be made (a "Distribution Period"), a "Newly Issued Unit" (as such term is defined below) is outstanding on the Partnership Record Date for such Distribution Period, there shall not be distributed in respect of such Newly Issued Unit the amount (the "Full Distribution Amount") that would otherwise be distributed in respect of such Newly Issued Unit in accordance with Section 5.1.A. Rather, the General Partner shall cause to be distributed with respect to each such Newly Issued Unit an amount equal to the Full Distribution Amount multiplied by a fraction, the numerator of which equals the number of days such Newly Issued Unit has been outstanding during the Distribution Period and the denominator of which equals the total number of days in such Distribution Period. Any Available Cash not distributed to the holders of Units by operation of this Section 5.1.B shall be retained by the Partnership and applied as the General Partner shall determine. The General Partner may, in its sole discretion, with respect to any distribution, waive the application of this Section 5.1.B such that a Newly Issued Unit shall receive the Full Distribution Amount (or any greater amount than would otherwise be received under this Section 5.1.B but not in excess of the Full Distribution Amount). For purposes of this Section 5.1.B, the term "Newly Issued Unit" shall mean, with respect to any Distribution Period, a Common Unit issued during such Distribution Period, except that the term "Newly Issued Unit" shall not include (i) a Common Unit issued to the Company as a result of the contribution by it of proceeds from the issuance of New Securities (as contemplated by Sections 4.2 and 4.3) or (ii) (unless otherwise provided by the General Partner) any Common Units issued in connection with a split on or unit dividend of the Common Units.

Section 5.2 Amounts Withheld

A. All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 10.5 hereof with respect to any allocation, payment or distribution to the Partners or Assignees shall be treated as amounts distributed to the Partners or Assignees pursuant to Section 5.1 for all purposes under this Agreement.

B. In the event that proceeds to the Partnership are reduced on account of taxes withheld at the source or the Partnership incurs a tax liability and such taxes (or a portion thereof) are imposed on or with respect to one or more, but not all, of the Partners in the Partnership or if the rate of tax varies depending on the attributes of specific Partners or to whom the corresponding income is allocated, the amount of the reduction in the Partnership's net proceeds shall be borne by and apportioned among the relevant Partners and treated as if it were paid by the Partnership as a withholding obligation with respect to such Partners in accordance with such apportionment.

Section 5.3 Distributions Upon Liquidation

Proceeds from a Terminating Capital Transaction and any other cash received or reductions in reserves made after commencement of the liquidation of the Partnership shall be distributed to the Partners in accordance with Section 13.2.

Section 5.4 Revisions to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article 4 hereof, the General Partner shall make such revisions to this Article 5 as it deems necessary to reflect the issuance of such additional Partnership Interests and any special rights, duties or powers with respect thereto. Such revisions shall not require the consent or approval of any other Partner.

ARTICLE 6 - ALLOCATIONS

Section 6.1 Allocations For Capital Account Purposes

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Exhibit B hereof) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

A. After taking into account the provisions of Section 6.1.B below and subject to the special allocations set forth in Section 1 of Exhibit C attached hereto, Net Income shall be allocated:

(1) First, to the Partners in the same ratio and reverse order as Net Loss was allocated to such Partners pursuant to Sections 6.1.B(2) and (3) for all fiscal years until the aggregate amount allocated to such Partners pursuant to such provisions of Section 6.1.B equals the aggregate amount allocated pursuant to this Section 6.1.A(1); and

(2) Thereafter, Net Income shall be allocated to the Partners in accordance with their respective Percentage Interests.

B. After giving effect to the special allocations set forth in Section 1 of Exhibit C attached hereto, Net Losses shall be allocated to the Partners in the following order:

(1) First, in the same ratio and reverse order as Net Income was allocated to the Partners pursuant to the provisions of Section 6.1.A(2) for all fiscal years until the aggregate amount of Net Income previously allocated to such Partners pursuant to such provisions of Section 6.1.A(2) equals the aggregate amount of Net Loss allocated to such Partners pursuant to this Section 6.1.B(1);

(2) Second, to the Partners, in proportion to their Percentage Interests until each Partner's Adjusted Capital Account balance has been reduced to zero;

(3) Third, 100% to the General Partner.

C. The allocation provisions set forth in this Section 6.1 shall be adjusted as necessary to give effect to the provisions of Section 5.2.B.

D. In the event that the Partnership issues additional Partnership Interests pursuant to Article 4 hereof, the General Partner shall make such revisions to this Section 6.1 as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests. Such revisions shall not require the consent or approval of any other Partner.

E. If any amounts are required to be deducted from, or are not included in, the Capital Account of the Company (or any direct or indirect wholly-owned Subsidiary of the Company) pursuant to Section 7.4.E, the General Partner may make such special allocations as it determines are necessary or appropriate so that, to the maximum extent possible, the Capital Account of each Partner equals the Capital Account it would have had if (i) the adjustments pursuant to Section 7.4.E had not been made and (ii) the expenses, fees or other costs giving rise to such adjustments were properly treated for purposes of the Treasury Regulations under Code Section 704(b) as expenses, fees or other costs of the Partnership.

ARTICLE 7 - MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 Management

A. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3 hereof, shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof (subject to the provision in Section 3.2 hereof), including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as will permit the Company (so long as the Company qualifies as a REIT) to minimize the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code and to make distributions to its shareholders in amounts sufficient to permit the Company to maintain REIT status), the assumption or guaranty of, or other contracting for, indebtedness and other liabilities, the issuance of evidence of indebtedness (including the securing of the same by deed, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any other obligations it deems necessary for the conduct of the activities of the Partnership;

(2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership, the registration of any class of securities of the Partnership under the Securities Exchange Act of 1934, as amended, and the listing of any debt securities of the Partnership on any exchange;

(3) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership (including the exercise or grant of any conversion, option, privilege, or subscription right or other right available in connection with any assets at any time held by the Partnership) or the merger or other combination of the Partnership with or into another entity on such terms as the General Partner deems proper (all of the foregoing subject to any prior approval only to the extent required by Section 7.3 hereof);

(4) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms the General Partner deems proper, including, without limitation, the financing of the conduct of the operations of the Company, the Partnership or any Subsidiary of the Company and/or the Partnership, the lending of funds to other Persons (including, without limitation, the Company or any Subsidiary of the Company and/or the Partnership) and the repayment of obligations of the Partnership and its Subsidiaries and any other Person in which it has an equity investment, and the making of capital contributions to any of its Subsidiaries;

(5) the management, operation, leasing, landscaping, repair, alteration, demolition or improvement of any real property or improvements owned by the Partnership or any Subsidiary of the Partnership or any Person in which the Partnership has made a direct or indirect equity investment;

(6) the negotiation, execution, and performance of any contracts, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other

agents and the payment of their expenses and compensation out of the Partnership's assets;

(7) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;

(8) the holding, managing, investing and reinvesting of cash and other assets of the Partnership;

(9) the collection and receipt of revenues and income of the Partnership;

(10) the establishment of one or more divisions of the Partnership, the selection and dismissal of employees of the Partnership (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer" of the Partnership), and agents, outside attorneys, accountants, consultants and contractors of the Partnership, and the determination of their compensation and other terms of employment or hiring including waivers of conflicts of interest and the payment of their expenses and compensation out of the Partnership's assets;

(11) the maintenance of such insurance for the benefit of the Partnership, the Partners and directors and officers thereof as it deems necessary or appropriate;

(12) the formation of, or acquisition of an interest in, and the contribution of property to, any other corporations, limited or general partnerships, joint ventures or other entities or relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, its Subsidiaries and any other Person in which it has an equity investment from time to time), provided that, as long as the Company has determined to continue to qualify as a REIT, the Partnership may not engage in any such formation, acquisition or contribution that would cause the Company to fail to qualify as a REIT;

(13) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment of, any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitration or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(14) the undertaking of any action in connection with the Partnership's direct or indirect investment in its Subsidiaries or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons, incurring indebtedness on behalf of, or guarantying the obligations of, any such Persons);

(15) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt;

(16) the exercise, directly or indirectly, through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any asset or investment held by the Partnership;

(17) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, or jointly with any such Subsidiary or other Person;

(18) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have an interest pursuant to contractual or other arrangements with such Person;

(19) the making, execution and delivery of any and all deeds, leases, notes, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases or legal instruments or agreements in writing necessary or appropriate, in the judgment of the General Partner, for the accomplishment of any of the powers of the General Partner enumerated in this Agreement;

(20) the maintenance of the Partnership's books and records;

(21) the issuance of additional Partnership Units, as appropriate, in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(22) the distribution of cash to acquire Partnership Units held by a Limited Partner in connection with a Limited Partner's exercise of its Redemption Right under Section 8.6 hereof;

(23) to do any and all acts and things necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, including but not limited to imposing restrictions on transfers and restrictions on redemptions; and

(24) to take such other action, execute, acknowledge, swear to or deliver such other documents and instruments, and perform any and all other acts that the General Partner deems necessary or appropriate for the formation, continuation and conduct of the business and affairs of the Partnership (including, without limitation, all actions consistent with allowing the Company at all times to qualify as a REIT unless the Company voluntarily terminates its REIT status) and to possess and enjoy all the rights and powers of a general partner as provided by the Act.

B. Each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provision of this Agreement (except as provided in Section 7.3), the Act or any applicable law, rule or regulation, to the fullest extent permitted under the Act or other applicable law, rule or regulation. The execution, delivery or performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain at any and all times working capital accounts and other cash or similar balances in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time, including upon liquidation of the Partnership under Article 13.

D. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership, (ii) liability insurance for the Indemnities hereunder and (iii) such other insurance as the General Partner, in its sole and absolute discretion, determines to be necessary.

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances, as a result of an income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

Section 7.2 Certificate of Limited Partnership

The General Partner has previously filed the Certificate of Limited Partnership with the Secretary of State of the State of Delaware as required by the Act. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all of the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, or the District of Columbia, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(4) hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and any other state, or the District of Columbia, in which the Partnership may elect to do business or own property.

Section 7.3 Restrictions on General Partner Authority

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the written Consent of Limited Partners holding a majority of the Common Units of the Limited Partners (including Limited Partner Units held by the Company or its Affiliates), or such other percentage of the Limited Partners as may be specifically provided for under a provision of this Agreement.

B. Except as provided in Article 13, the General Partner may not directly or indirectly, cause the Partnership to sell, exchange, transfer or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger (including a triangular merger), consolidation or other combination with any other Persons except (i) if such merger, sale or other transaction is in connection with an Extraordinary Transaction permitted under Section 11.2.B hereof or (ii) with the Consent of the Limited Partners holding a majority of the Common Units of the Limited Partners (excluding Limited Partner Units held by the Company or its Affiliates).

Section 7.4 Reimbursement of the General Partner and the Company; DRIPs and Repurchase Programs

A. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles 5 and 6 regarding distributions, payments, and allocations to which it may be entitled), the General Partner shall not be compensated for its services as the General Partner of the Partnership.

B. The Partnership shall be responsible for and shall pay all expenses relating to the Partnership's organization, the ownership of its assets and its operations. The General Partner shall be reimbursed on a monthly basis, or such other basis as it may determine in its sole and absolute discretion, for all expenses that it incurs relating to the ownership and operation of, or for the benefit of, the Partnership (including, without limitation, (i) expenses relating to the operation of the Company and to the management and administration of any Subsidiary of the Company, the Partnership or Affiliates of the Partnership, such as auditing expenses and filing fees, (ii) compensation of the Company's officers and employees including, without limitation, payments under the Company's employee benefit plans that provide for stock units, or other phantom stock, pursuant to which employees of the General Partner will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses and (iv) all costs and expenses of being a public company, including costs of filings with the Securities and Exchange Commission, reports and other distributions to its shareholders); provided that the amount of any such reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursement shall be in addition to any reimbursement made as a result of indemnification pursuant to Section 7.7 hereof.

C. In the event that the Company shall elect to purchase from its shareholders REIT Shares in connection with a share repurchase or similar program or for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program or equity purchase plan adopted by the Company, any employee stock purchase plan adopted by the Company, or any similar obligation or arrangement undertaken by the Company in the future or for the purpose of retiring such REIT Shares, the purchase price paid by the Company for such REIT Shares and any other expenses incurred by the Company in connection with such purchase shall be considered expenses of the Partnership and shall be advanced to the Company or reimbursed to the Company, subject to the conditions that: (i) if such REIT Shares subsequently are sold by the Company, the Company shall pay to the Partnership any proceeds received by the Company for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program, provided that a transfer of REIT Shares for Partnership Units pursuant to Section 8.6 would not be considered a sale for such purposes) and (ii) if such REIT Shares are not retransferred by the Company within thirty (30) days after the purchase thereof, or the Company otherwise determines not to retransfer such REIT Shares, the Company, as General Partner, shall cause the Partnership to redeem a number of Common Units held by the Company, as a Limited Partner, equal to the quotient obtained by dividing the number of such REIT Shares by the Conversion Factor (in which case such advancement or reimbursement of Partnership expenses shall be treated as having been made as a distribution in redemption of such number of Units held by the Company).

D. Subject to Section 7.4.E, if and to the extent any reimbursement made pursuant to this Section 7.4 is determined for federal income tax purposes not to constitute a payment of expenses to the Partnership, the amount so determined shall constitute a guaranteed payment with respect to capital within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners and shall not be treated as a distribution for purposes of computing the Partners' Capital Accounts.

E. Notwithstanding any provision in this Agreement to the contrary, if the Partnership pays or reimburses (directly or indirectly, including by reason of giving the General Partner or the Company or any direct or indirect wholly-owned Subsidiary of the Company Capital Account credit in excess of actual Capital Contributions made by the General Partner or the Company or any direct or indirect wholly-owned Subsidiary of the Company) fees, expenses or other costs pursuant to Section 7.4.B, Section 7.7 and/or Section 4.3, and if failure to treat such payment or reimbursement as a distribution to the General Partner, the Company or any wholly-owned Subsidiary of the Company (as appropriate) would cause the Company to recognize income that is not described in Code Section 856(c)(3) in excess of 5% of the Company's gross income (excluding net income from prohibited transactions within the meaning of Code Section 857(b)(6)) or would otherwise cause the Company to fail to qualify as a REIT, then such payment or reimbursement (or portion thereof) shall be treated as a distribution to the General Partner, the Company or direct or indirect wholly-owned Subsidiary of the Company (as appropriate) for purposes of this Agreement. The Capital Account of the General Partner, the Company or any direct or indirect wholly-owned Subsidiary of the Company (as appropriate) shall be reduced by such direct or indirect payment or reimbursement (or a portion thereof) in the same manner as an actual distribution to the General Partner, the Company, or any direct or indirect wholly-owned Subsidiary of the Company (as appropriate). To the extent treated as distributions, such fees, expenses or other costs shall not be taken into account as Partnership fees, expenses or costs for the purposes of this Agreement. This 7.4.E, in conjunction with Section 6.1.E, is intended to prevent direct or indirect reimbursements or payments under Section 7.4.B and/or Section 4.3 from giving rise to a violation of the Company's REIT requirements while at the same time preserving to the extent possible the parties' intended economic arrangement and shall be interpreted and applied consistent with such intent.

Section 7.5 Outside Activities of the General Partner

The General Partner shall not directly or indirectly enter into or conduct any business other than in connection with the ownership, acquisition and disposition of Partnership Interests and the management of the business of the Partnership, and such activities as are incidental thereto. The General Partner and any Affiliates of the General Partner may acquire Limited Partner Interests and shall be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 Contracts with Affiliates

A. The Partnership may lend or contribute funds or other assets to any Subsidiary or other Persons in which it has an investment and such Persons may borrow funds from the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Subsidiary or any other Person.

B. Except as provided in Section 7.5, the Partnership may transfer assets to joint ventures, other partnerships, corporations or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law as the General Partner, in its sole and absolute discretion, believes are advisable.

C. Except as expressly permitted by this Agreement, neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are determined by the General Partner in good faith to be fair and reasonable.

D. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt, on behalf of the Partnership, employee benefit plans, stock option plans, and similar plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, any Subsidiary of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any Subsidiary of the Partnership.

E. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a right of first opportunity arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and the General Partner, on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

Section 7.7 Indemnification

A. To the fullest extent permitted by Delaware law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, attorneys fees and other legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership or the Company as set forth in this Agreement, in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the Indemnitee actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty (except a guaranty by a Limited Partner of nonrecourse indebtedness of the Partnership or as otherwise provided in any such loan guaranty) or otherwise for any indebtedness of the Partnership or any Subsidiary of the Partnership (including without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of nolo contendere or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, creates a rebuttable presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership, or otherwise provide funds, to enable the Partnership to fund its obligations under this Section 7.7.

B. Reasonable expenses incurred by an Indemnitee or expected to be incurred by an Indemnitee shall be paid or reimbursed by the Partnership in advance of the final disposition of any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative made or threatened against an Indemnitee upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee’s good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in Section 7.7.A has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity unless otherwise provided in a written agreement pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership’s activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of Section 7.7; and actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Partnership.

F. In no event may an Indemnitee subject any of the Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their employees, officers, directors, trustees, heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7 or any provision hereof shall be prospective only and shall not in any way affect the Partnership's liability to any Indemnitee under this Section 7.7, as in effect immediately prior to such amendment, modification, or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. Subject to Section 7.4.E, if and to the extent any payments to the General Partner pursuant to this section 7.7 constitute gross income to the General Partner (as opposed to the repayment of advances made on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 Liability of the General Partner

A. Notwithstanding anything to the contrary set forth in this Agreement, none of the General Partner, the Company, nor any of their directors, officers, agents or employees shall be liable for monetary damages to the Partnership, any Partners or any Assignees for losses sustained or liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission unless the General Partner acted in bad faith and the act or omission was material to the matter giving rise to the loss, liability or benefit not derived.

B. The Limited Partners expressly acknowledge that, the General Partner is acting on behalf of the Partnership and the shareholders of the Company collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners in deciding whether to cause the Partnership to take (or decline to take) any actions (including, as stated in Section 7.1.E, the tax consequences to the Limited Partners or Assignees), and that the General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred, or benefits not derived by Limited Partners in connection with such decisions, provided that the General Partner has acted in good faith.

C. Subject to its obligations and duties as General Partner set forth in Section 7.1.A hereof, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

D. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's and its officers' and directors' liability to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Other Matters Concerning the General Partner

A. The General Partner may rely and shall be protected in acting, or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, architects, engineers, environmental consultants and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and duly appointed attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the Company to continue to qualify as a REIT, or (ii) to minimize taxes incurred by the Company under Section 857 or Section 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable if failure to so vest such title would have a material adverse effect on the Partnership. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without consent or approval of any other Partner or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership and such Person shall be entitled to deal with the General Partner as if the General Partner were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect; (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE 8 - RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement, including Section 10.5 hereof, or under the Act.

Section 8.2 Management of Business

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 Outside Activities of Limited Partners

Subject to any agreements entered into pursuant to Section 7.6.E hereof and any other agreements entered into by a Limited Partner or its Affiliates with the Partnership or any of its Subsidiaries, any Limited Partner (other than the Company) and any officer, director, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. None of the Limited Partners (other than the Company) nor any other Person shall have any rights by virtue of this Agreement or the Partnership relationship established hereby in any business ventures of any other Person and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 Return of Capital

Except pursuant to the Redemption Right set forth in Section 8.6, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided by Exhibit C hereof or as otherwise expressly provided in this Agreement, or any Certificate of Designations, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee, either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 Rights of Limited Partners Relating to the Partnership

A. In addition to the other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, each Limited Partner shall have the right, for a business purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at such Limited Partner's own expense (including such copying and administrative charges as the General Partner may establish from time to time):

(1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the Company pursuant to the Securities Exchange Act of 1934, as amended;

(2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;

(3) to obtain a current list of the name and last known business, residence or mailing address of each Partner;

(4) to obtain a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed; and

(5) to obtain true and full information regarding the amount of cash and a description and statement of any other property or services contributed by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner.

B. The Partnership shall notify each Limited Partner, upon request, of the then current Conversion Factor and the REIT Shares Amount per Common Unit and, with reasonable detail, how the same was determined.

C. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner reasonably believes to be in the nature of trade secrets or other information, the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or its business or (ii) the Partnership is required by law or by agreements with an unaffiliated third party to keep confidential.

Section 8.6 Redemption Right

A. Subject to Sections 8.6.B and 8.6.C hereof and the provisions of any agreements between the Partnership and one or more Limited Partners, at any time following an IPO Event and after the first anniversary date of the issuance of a Partnership Unit to a Limited Partner pursuant to Article 4 hereof (or such other date as may be mutually agreed upon by the General Partner and a Limited Partner), each Limited Partner (other than the Company or its wholly-owned Subsidiaries) shall have the right (the "Redemption Right") to require the Partnership to redeem on a Specified Redemption Date all or a portion of the Common Units held by such Limited Partner at a redemption price per Common Unit equal to and in the form of the Cash Amount to be paid by the Partnership. The Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the Company) by the Limited Partner who is exercising the Redemption Right (the "Redeeming Partner"); provided, however, that the Partnership shall not be obligated to satisfy such Redemption Right if the Company elects to purchase the Common Units subject to the Notice of Redemption pursuant to Section 8.6.B. A Limited Partner may not exercise the Redemption Right for less than one thousand (1,000) Common Units or, if such Limited Partner holds less than one thousand (1,000) Common Units, all of the Common Units held by such Partner. The Redeeming Partner shall have no right, with respect to any Common Units so redeemed, to receive any distributions paid on or after the Specified Redemption Date. The Assignee of any Limited Partner may exercise the rights of such Limited Partner pursuant to this Section 8.6, and such Limited Partner shall be deemed to have assigned such rights to such Assignee and shall be bound by the exercise of such rights by such Assignee. In connection with any exercise of such rights by an Assignee on behalf of a Limited Partner, the Cash Amount shall be paid by the Partnership directly to such Assignee and not to such Limited Partner.

B. Notwithstanding the provisions of Section 8.6.A, upon an election by a Limited Partner to exercise the Redemption Right, the Company may, in its sole and absolute discretion (subject to the limitations on ownership and transfer of REIT Shares set forth in the Articles of Incorporation of the Company), elect to assume directly and satisfy a Redemption Right by paying to the Redeeming Partner either the Cash Amount or the REIT Shares Amount, as the Company determines in its sole and absolute discretion whereupon the Company shall acquire the Common Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Common Units. If the Company shall elect to exercise its right to purchase Common Units under this Section 8.6.B with respect to a Notice of Redemption, it shall so notify the Redeeming Partner within five (5) Business Days after the receipt by it of such Notice of Redemption. Unless the Company shall exercise its right to purchase Common Units from the Redeeming Partner pursuant to this Section 8.6.B, the Company shall not have any obligation to the Redeeming Partner or the Partnership with respect to the Redeeming Partner's exercise of the Redemption Right. In the event the Company shall exercise its right to purchase Common Units with respect to the exercise of a Redemption Right in the manner described in the first sentence of this Section 8.6.B, the Partnership shall have no obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner's exercise of such Redemption Right, and each of the Redeeming Partner, the Partnership, and the Company shall treat the transaction between the Company and the Redeeming Partner, for federal income tax purposes, as a sale of the Redeeming Partner's Common Units to the Company. Each Redeeming Partner agrees to execute such documents as the Company may reasonably require in connection with the issuance of REIT Shares upon exercise of the Redemption Right.

C. Notwithstanding the provisions of Section 8.6.A and Section 8.6.B, a Partner shall not be entitled to exercise the Redemption Right pursuant to Section 8.6.A if the delivery of REIT Shares to such Partner on the Specified Redemption Date by the Company pursuant to Section 8.6.B (regardless of whether or not the Company would in fact exercise its rights under Section 8.6.B) would be prohibited under the Articles of Incorporation of the Company or prohibited under applicable federal or state securities laws or regulations.

D. If, pursuant to Section 8.6.B, the Company elects to pay the Redeeming Partner the Redemption Amount in the form of REIT Shares, the total number of REIT Shares to be paid to the Redeeming Partner in exchange for the Redeeming Partner's Common Units shall be the applicable REIT Shares Amount. If this amount is not a whole number of REIT Shares, the Redeeming Partner shall be paid (i) that number of REIT Shares which equals the nearest whole number less than such amount plus (ii) an amount of cash which the Company determines, in its reasonable discretion, to represent the fair value of the remaining fractional REIT Share which would otherwise be payable to the Redeeming Partner.

E. All Common Units delivered for redemption shall be delivered to the Partnership or the Company, as the case may be, free and clear of all liens and encumbrances, and notwithstanding anything contained herein to the contrary, neither the General Partner nor the Partnership shall be under any obligation to acquire Common Units which are or may be subject to liens. If any state or local property transfer tax is payable as a result of the transfer of Common Units to the Partnership or the General Partner pursuant to the Redemption Right, the Redeeming Partner shall assume and pay such transfer tax.

F. In the event that the Partnership issues additional Partnership Interests pursuant to Section 4.2.A hereof, the General Partner shall make such revisions to this Section 8.6 as it determines are necessary to reflect the issuance of such additional Partnership Interests (including setting forth any restrictions on the exercise of the Redemption Right with respect to such Partnership Interests).

ARTICLE 9 - BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership those records and documents required to be maintained by the Act and other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained for financial reporting purposes in accordance with generally accepted accounting principles or such other basis as the General Partner determines to be necessary or appropriate. Sufficient records shall be maintained to adjust the financial reporting books to report taxable income to taxing authorities.

Section 9.2 Taxable Year and Fiscal Year

The taxable year of the Partnership shall be the shall be the calendar year unless otherwise required by the Code. The fiscal year of the Partnership shall be the same as its taxable year.

Section 9.3 Reports

A. As soon as practicable, but in no event later than the date on which the Company mails its annual report to its shareholders, the General Partner shall cause to be mailed to each Limited Partner, as of the close of the Partnership Year, an annual report containing financial statements of the Partnership, or of the Company if such statements are prepared solely on a consolidated basis with the Company, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, the General Partner shall cause to be mailed to each Limited Partner, a report containing unaudited financial statements of the Partnership, or of the Company, if such statements are prepared solely on a consolidated basis with the Company, and such other information as may be required by applicable law or regulation, or as the General Partner determines to be appropriate.

ARTICLE 10 - TAX MATTERS

Section 10.1 Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use reasonable efforts to furnish, within ninety (90) days of the close of each Partnership Year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

Section 10.2 Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code. The General Partner shall have the right to seek to revoke any tax election it makes upon the General Partner's determination, in its sole and absolute discretion, that such revocation is in the best interests of the Partners.

Section 10.3 Tax Matters Partner

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. Pursuant to Section 6230(e) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address, taxpayer identification number, and profit interest of each of the Limited Partners and the Assignees; provided, however, that such information is provided to the Partnership by the Limited Partners and the Assignees.

B. The tax matters partner is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (a) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner; or (b) who is a "notice partner" (as defined in Section 6231(a)(8) of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Partnership's principal place of business is located;

(3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment with the IRS and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken account of by a Partner for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Partners or the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 of this Agreement shall be fully applicable to the tax matters partner in its capacity as such.

C. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting or law firm to assist the tax matters partner in discharging its duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

Section 10.4 Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

Section 10.5 Withholding

Each Limited Partner hereby authorizes the Partnership to withhold from, or pay on behalf of or with respect to, such Limited Partner any amount of federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Sections 1441, 1442, 1445, or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner, (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner or (iii) treatment as a loan would jeopardize the Company's status as a REIT (in which case the payment shall be satisfied out of future distributions to the Limited Partner). Any amounts withheld pursuant to the foregoing clauses (i), (ii) or (iii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner. Without limitation, in such event the General Partner shall have the right to receive distributions that would otherwise be distributable to such defaulting Limited Partner until such time as such loan, together with all interest thereon, has been paid in full, and any such distributions so received by the General Partner shall be treated as having been distributed to the defaulting Limited Partner and immediately paid by the defaulting Limited Partner to the General Partner in repayment of such loan. Any amounts payable by a Limited Partner hereunder shall bear interest at the lesser of (A) the base rate on corporate loans at large United States money center commercial banks, as published from time to time in The Wall Street Journal, plus four (4) percentage points, or (B) the maximum lawful rate of interest on such obligation, such interest to accrue from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to (i) perfect or enforce the security interest created hereunder and (ii) cause any loan arising hereunder to be treated as a real estate asset for purposes of Section 856(c)(4)(A) of the Code.

ARTICLE 11 - TRANSFERS AND WITHDRAWALS

Section 11.1 Transfer

A. The term "transfer," when used in this Article 11 with respect to a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign all or any part of its General Partner Interest to another Person or by which a Limited Partner purports to assign all or any part of its Limited Partner Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by operation of law or otherwise. The term "transfer" when used in this Article 11 does not include any redemption of Partnership Interests by the Partnership from a Limited Partner or any acquisition of Partnership Units from a Limited Partner by the Company pursuant to Section 8.6. No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement or consented to in writing by the General Partner.

B. No Partnership Interest may be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void.

Section 11.2 Transfer of the Company's General Partner Interest and Limited Partner Interest; Extraordinary Transactions

A. The General Partner may not transfer any of its General Partner Interest or withdraw as General Partner, and the Company may not, directly or through its wholly-owned Subsidiaries, transfer any of its Limited Partner Interest or engage in an Extraordinary Transaction, except, in any such case, (i) if such Extraordinary Transaction, or such withdrawal or transfer, is pursuant to an Extraordinary Transaction that is permitted under Section 11.2.B, (ii) if Limited Partners holding a majority of the Common Units of the Limited Partners (excluding Limited Partner Units held by the Company or its Affiliates) Consent to such withdrawal or transfer or Extraordinary Transaction or (iii) if such transfer is to an entity that is wholly-owned by the Company (directly or indirectly) and is a Qualified REIT Subsidiary under Section 856(i) of the Code or disregarded as an entity separate from the Company for federal income tax purposes.

B. The General Partner and the Company are permitted to engage (and cause the Partnership to participate) in the following transactions without the approval or vote of the Limited Partners:

(1) an Extraordinary Transaction in connection with which all Limited Partners either will receive, or will have the right to elect to receive, for each Common Unit an amount of cash, securities, or other property at least as equal in value to the product of (x) the REIT Shares Amount multiplied by (y) the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one such REIT Share pursuant to the terms of the Extraordinary Transaction during the period from and after the date on which the Extraordinary Transaction is consummated; provided that, if, in connection with the Extraordinary Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities, or other property which such holder would have received had it exercised its Redemption Right (as set forth in Section 8.6) and received REIT Shares in exchange for its Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Extraordinary Transaction shall have been consummated; and

(2) an Extraordinary Transaction if: (a) immediately after such Extraordinary Transaction, substantially all of the assets directly or indirectly owned by the surviving entity, other than Common Units held by the General Partner, are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "Surviving Partnership"); (b) the rights, preferences and privileges of the Common Unitholders in the Surviving Partnership are at least as favorable as those in effect immediately prior to the consummation of such transaction and as those applicable to any other limited partners or non-managing members of the Surviving Partnership (who have, in either case, the rights of a "common" equity holder); and (c) such rights of the Common Unitholders include the right to exchange their Common Unit equivalent interests in the Surviving Partnership for at least one of: (x) the consideration available to such Common Unitholders pursuant to Section 11.2.B(1) or (y) if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the relative fair market value of such securities (as determined pursuant to Section 11.2.C) and the REIT Shares.

C. In connection with any transaction permitted by Section 11.2.B, the relative fair market values shall be reasonably determined by the General Partner as of the time of such transaction and, to the extent applicable, shall be no less favorable to the Limited Partners than the relative values reflected in the terms of such transaction.

Section 11.3 Limited Partners' Rights to Transfer

A. Subject to the provisions of Sections 11.3.B, 11.3.D, 11.3.E, and 11.4 or in connection with the exercise of a Redemption Right pursuant to Section 8.6, a Limited Partner (other than the Company) may not transfer, all or any portion of its Partnership Interest, or any of such Limited Partner's economic rights as a Limited Partner without the prior written consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. The General Partner may require, as a condition of any transfer to which it consents, that the transferor assume all costs incurred by the Partnership in connection therewith.

B. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all of the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate and such power as the Incapacitated Limited Partner possessed to transfer all or any part of his or its Partnership Interest. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. Without limiting the foregoing, the General Partner may prohibit any transfer by a Limited Partner of its Partnership Units if, in the opinion of legal counsel to the Partnership, such transfer would require filing of a registration statement under the Securities Act of 1933, as amended, or would otherwise violate any federal or state securities laws or regulations applicable to the Partnership or the Partnership Units.

D. No transfer by a Limited Partner of its Partnership Units (including a redemption or exchange pursuant to Section 8.6) may be made to any Person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation; (ii) such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code; (iii) such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (iv) such transfer would, in the opinion of legal counsel for the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.2-101; (v) such transfer would subject the Partnership to be regulated under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or the Employee Retirement Income Security Act of 1974, each as amended; or (vi) in the opinion of legal counsel for the Partnership, such transfer likely would jeopardize the Company's ability to qualify as a REIT currently or in the future or would subject the Company to any additional taxes under Section 857 or Section 4981 of the Code.

E. No transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the consent of the General Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion; provided that as a condition to such consent the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem for the Cash Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

Section 11.4 Substituted Limited Partners

A. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in his place. The General Partner shall, however, have the right to consent to the admission of a transferee of the interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. The admission of any transferee as a Substituted Limited Partner shall be conducted upon the transferee executing and delivering to the Partnership an acceptance of all the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

C. Upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, number of Partnership Units and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner.

Section 11.5 Assignees

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee as a Substituted Limited Partner, as described in Section 11.4, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be deemed to have had assigned to it, and shall be entitled to receive distributions from the Partnership and the share of Net Income, Net Losses and any other items, gain, loss deduction and credit of the Partnership attributable to the Partnership Units assigned to such transferee, but except as otherwise provided in Section 8.6.A hereof shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to vote such Partnership Units in any matter presented to the Limited Partners for a vote (such Partnership Units being deemed to have been voted on such matter in the same proportion as all other Partnership Units held by Limited Partners are voted). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all of the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

Section 11.6 General Provisions

A. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 or pursuant to redemption of all of its Partnership Units under Section 8.6.

B. Any Limited Partner who shall transfer all of its Partnership Units in a transfer permitted pursuant to this Article 11 shall cease to be a Limited Partner upon the admission of all Assignees of such Partnership Units as Substitute Limited Partners. Similarly, any Limited Partner who shall transfer all of its Partnership Units pursuant to a redemption of all of its Partnership Units under Section 8.6 shall cease to be a Limited Partner.

C. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise agrees.

D. If any Partnership Interest is transferred or assigned during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article 11 or redeemed or transferred pursuant to Section 8.6 on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items attributable to such interest for such Partnership Year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using the interim closing of the books method or such other method (or combination of methods) selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or assignment occurs shall be allocated to the transferee Partner, and none of such items for the calendar month in which a redemption occurs shall be allocated to the Redeeming Partner; provided, however, that the General Partner may adopt such other conventions relating to allocations in connection with transfers, assignments or redemptions as it determines are necessary or appropriate. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such transfer, assignment, or redemption shall be made to the transferor Partner or the Redeeming Partner, as the case may be, and in the case of a transfer or assignment other than a redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

ARTICLE 12 - ADMISSION OF PARTNERS

Section 12.1 Admission of Successor General Partner

A successor to all of the General Partner Interest pursuant to Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission. In the case of such admission on any day other than the first day of a Partnership Year, all items attributable to the General Partner Interest for such Partnership Year shall be allocated between the transferring General Partner and such successor as provided in Section 11.6.D hereof.

Section 12.2 Admission of Additional Limited Partners

A. After the date hereof, a Person who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this

Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the written consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the written consent of the General Partner to such admission.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Additional Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using any convention permitted by law and selected by the General Partner. Solely for purposes of making such allocations, each such item for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all of the Partners and Assignees, including such Additional Limited Partner; provided, however, that the General Partner may adopt such other conventions relating to allocations to Additional Limited Partners as it determines are necessary or appropriate. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission shall be made solely to Partners and Assignees, other than the Additional Limited Partner, and, subject to Section 5.2.B, all distributions of Available Cash thereafter shall be made to all of the Partners and Assignees pursuant to Section 5.1, including such Additional Limited Partner.

Section 12.3 Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate of Limited Partnership and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

ARTICLE 13 - DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 Dissolution

A. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, only upon the first to occur of any of the following (each, a "Liquidating Event"):

(1) the expiration of its term as provided in Section 2.5 hereof;

(2) an event of withdrawal of the General Partner, as defined in the Act (other than an event of bankruptcy), unless, within ninety (90) days after such event of withdrawal a "majority in interest" (as defined below) of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a successor General Partner;

(3) from and after the date of this Agreement through December 31, 2054, an election to dissolve the Partnership made by the General Partner with the Consent of Partners holding ninety percent (90%) of the outstanding Limited Partner Units (including Limited Partner Units held by the Company);

(4) on or after January 1, 2055, an election to dissolve the Partnership made by the General Partner, in its sole and absolute discretion;

(5) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

(6) the sale of all or substantially all of the assets and properties of the Partnership; or

(7) a final and non-appealable judgment is entered by a court of competent jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to the entry of such order or judgment all of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

B. As used in this Article 13, a "majority in interest" shall refer to Partners (excluding the General Partner) who hold more than fifty percent (50%) of the outstanding Percentage Interests not held by the General Partner.

Section 13.2 Winding Up

A. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner, or, in the event there is no remaining General Partner, any Person elected by a majority in interest of the Limited Partners (the General Partner or such other Person being referred to herein as the "Liquidator"), shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include shares of common stock in the Company) shall be applied and distributed in the following order:

(1) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;

(2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partner;

(3) Third, to the payment and discharge of all of the Partnership's debts and liabilities to the other Partners;

(4) Fourth, to the holders of Partnership Interests that are entitled to any preference in distribution upon liquidation in accordance with the rights of any such class or series of Partnership Interests (and, within each class or series, to each holder thereof pro rata in proportion to its respective Percentage Interests in such class); and

(5) The balance, if any, to the General Partner and Limited Partners in accordance with their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods.

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13.

B. Notwithstanding the provisions of Section 13.2.A hereof which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. In the discretion of the Liquidator, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or the General Partner arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the Liquidator, in the same proportions as the amount distributed to such trust by the Partnership would

otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the General Partner and Limited Partners in the manner and order of priority set forth in Section 13.2.A as soon as practicable.

Section 13.3 Compliance with Timing Requirements of Regulations

In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 13 to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2).

If at such time as the Partnership (or the General Partner's interest therein) is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), the General Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years or portions thereof, including the year during which such liquidation occurs), the General Partner shall contribute to the capital of the Partnership the amount necessary to restore such deficit balance to zero in compliance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(3). If at such time as the Partnership (or any Limited Partner's interest therein) is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g) any Limited Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years or portions thereof, including the year during which such liquidation occurs), no such Limited Partner shall have any obligation to make any contribution to the capital of the Partnership with respect to such deficit and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purposes whatsoever, except to the extent otherwise agreed to by such Partner and the General Partner. Any contribution required of a Partner hereunder shall be made on or before the later of (i) the end of the Partnership Year in which the interest of such Partner is liquidated or (ii) the ninetieth (90th) day following the date of such liquidation.

Section 13.4 Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Partnership. Except as otherwise provided in this Agreement, no Limited Partner shall have priority over any other Partner as to the return of its Capital Contributions, distributions, or allocations.

Section 13.5 Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for the provisions of an election or objection by one or more Partners pursuant to Section 13.1, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners.

Section 13.6 Termination of Partnership and Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership's assets, as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed, and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 Reasonable Time for Winding-Up

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

Section 13.8 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

Section 13.9 Liability of Liquidator

Any Liquidator shall be indemnified and held harmless by the Partnership in the same manner and to the same degree as an Indemnitee may be indemnified pursuant to Section 7.7 hereof.

ARTICLE 14 - AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS

Section 14.1 Amendments

A. Amendments to this Agreement may only be proposed by the General Partner. Following such proposal, the General Partner shall submit any proposed amendment to the Limited Partners. The General Partner shall seek the written consent of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written consent, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a vote which is consistent with the General Partner's recommendation with respect to the proposal. Except as provided in Section 13.1.C(3), 14.1.B, 14.1.C or 14.1.D, a proposed amendment shall be adopted and be effective as an amendment hereto if it is approved by the General Partner and it receives the Consent of Limited Partners holding a majority of the Common Units held by Limited Partners (including Limited Partner Units held by the Company or its Affiliates); provided that an action shall become effective at such time as the requisite consents are received by the General Partner even if prior to such specified time.

B. Notwithstanding Section 14.1.A, the General Partner shall have the power, without the consent of the Limited Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

(1) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;

(2) to reflect the admission, substitution, termination, or withdrawal of Partners in accordance with this Agreement (which may be effected through the replacement of Exhibit A with an amended Exhibit A);

(3) to set forth and reflect in the Agreement the designations, rights, powers, duties, and preferences of the holders of any additional Partnership Interests issued pursuant to Section 4.2.A hereof;

(4) to reflect a change that is of an inconsequential nature and does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity, correct or supplement any provision in this Agreement not inconsistent with law or with other provisions, or make other changes with respect to matters arising under this Agreement that will not be inconsistent with law or with the provisions of this Agreement; and

(5) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law.

The General Partner shall provide written notice to the Limited Partners when any action under this Section 14.1.B is taken in the next regular communication to the Limited Partners.

C. Notwithstanding Section 14.1.A and 14.1.B hereof, this Agreement shall not be amended without the Consent of each Partner adversely affected if such amendment would (i) convert a Limited Partner’s interest in the Partnership into a General Partner Interest; (ii) modify the limited liability of a Limited Partner in a manner adverse to such Limited Partner; (iii) alter rights of the Partner (except in connection with the issuance of additional Partnership Interests and the relative rights, powers and duties incident thereto) to receive distributions pursuant to Article 5 or Article 13 or the allocations specified in Article 6 (except as permitted pursuant to Section 4.2 and Section 14.1.B(3) hereof); (iv) alter or modify the Redemption Right and REIT Shares Amount as set forth in Sections 8.6 and 11.2.B, and the related definitions, in a manner adverse to such Partner; (v) cause the termination of the Partnership prior to the time set forth in Sections 2.5 or 13.1 or (vi) amend this Section 14.1.C. Further, no amendment may alter the restrictions on the General Partner’s authority set forth in Section 7.3.B without the Consent specified in that section.

D. Notwithstanding Section 14.1.A or Section 14.1.B hereof, the General Partner shall not (except in connection with amendments made to reflect the issuance of additional Partnership Interests and the relative rights, powers and duties incident thereto) amend Sections 4.2.A, 7.5, 7.6, 11.2 or 14.2 without the Consent of Limited Partners holding a majority of the Common Units held by Limited Partners, excluding Limited Partner Units held by the Company or its Affiliates.

Section 14.2 Meetings of the Partners

A. Meetings of the Partners may only be called by the General Partner. The request shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of the Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of the Partners or may be given in accordance with the procedure prescribed in Section 14.1.A hereof. Except as otherwise expressly provided in this Agreement, the Consent of holders of a majority of the Common Units held by Limited Partners (including Limited Partnership Common Units held by the Company) shall control.

B. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by a majority of the Common Units of the Partners (or such other percentage as is expressly required by this Agreement). Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of a majority of the Common Units of the Partners (or such other percentage as is expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. A proxy may be granted in writing, by means of electronic transmission or as otherwise permitted by applicable law. No proxy shall be valid after the expiration of twelve (12) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Limited Partner executing such proxy.

D. Each meeting of the Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the shareholders of the Company and may be held at the same time, and as part of, meetings of the shareholders of the Company.

ARTICLE 15 - ARBITRATION OF DISPUTES

Notwithstanding anything to the contrary contained in this Agreement, all claims, disputes and controversies between the parties hereto (including, without limitation, any claims, disputes and controversies between the Partnership and any one or more of the Partners and any claims, disputes and controversies among any two or more Partners) arising out of or in connection with this Agreement or the Partnership created hereby, relating to the validity, construction, performance, breach, enforcement or termination thereof, or otherwise arising out of or relating to this Agreement, the management of the Partnership, or the acts or omissions of the General Partner that are not resolved by mutual agreement shall be resolved solely and exclusively by binding arbitration to be conducted before JAMS, Inc. in Bethesda, Maryland before a single arbitrator (the "Arbitrator").

The parties covenant and agree that the arbitration shall commence within ninety (90) days of the date on which a written demand for arbitration is filed by any party hereto (the "Filing Date"). The Arbitrator's decision and award shall be made and delivered within one hundred and eighty (180) days of the Filing Date. The Arbitrator's decision shall be binding and conclusive on all parties. The parties understand and agree that the Arbitrator shall not have power to award damages in excess of actual compensatory damages and the Arbitrator shall not multiply actual damages or award punitive damages or any other damages that are specifically excluded under this Agreement, each party hereby irrevocably waiving any claim to such damages.

Each of the parties hereto irrevocably and unconditionally consents to the exclusive jurisdiction of JAMS, Inc. to all matters within the scope of this Article 15 and that they will participate in the arbitration in good faith. The parties hereto further consent to the jurisdiction of the courts of the State of Delaware for the purposes of enforcing the arbitration provisions of this Article 15. Each party further irrevocably waives any objection to proceeding before JAMS, Inc. based upon lack of personal jurisdiction or to the laying of venue and further irrevocably and unconditionally waives and agrees not to make a claim in any court that arbitration before JAMS, Inc. has been brought in an inconvenient forum. Each of the parties hereto hereby consents to service of process by registered mail at the address to which notices are to be given. Each of the parties hereto agrees that its submission to jurisdiction and its consent to service of process by mail is made for the express benefit of the other parties hereto. The provisions of this Article 15 shall survive the dissolution of the Partnership. Nothing contained herein shall be deemed to give the Arbitrator any authority, power, or right to alter, change, amend, modify, add to, or subtract from any of the provisions of this Agreement.

ARTICLE 16 - GENERAL PROVISIONS

Section 16.1 Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by certified first class United States mail, return receipt requested, nationally recognized overnight delivery service or facsimile transmission (with receipt confirmed) to the Partner or Assignee at the address set forth on Exhibit A or such other address of which the Partner shall notify the General Partner in writing.

Section 16.2 Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 16.3 Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 16.4 Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16.5 Binding Effect

Subject to the terms set forth herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 16.6 Creditors

Other than as expressly set forth herein with respect to the Indemnitees, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 16.7 Waiver

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 16.8 Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 16.9 Applicable Law

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 16.10 Invalidity of Provisions

If any provision of this Agreement shall to any extent be held void or unenforceable (as to duration, scope, activity, subject or otherwise) by a court of competent jurisdiction, such provision shall be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable. In such event, the remainder of this Agreement (or the application of such provision to persons or circumstances other than those in respect of which it is deemed to be void or unenforceable) shall not be affected thereby. Each other provision of this Agreement, unless specifically conditioned upon the voided aspect of such provision, shall remain valid and enforceable to the fullest extent permitted by law; any other provisions of this Agreement that are specifically conditioned on the voided aspect of such invalid provision shall also be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable to the fullest extent permitted by law.

Section 16.11 No Rights as Shareholders

Nothing contained in this Agreement shall be construed as conferring upon the holders of Partnership Units any rights whatsoever as shareholders of the Company, including without limitation, any right to receive dividends or other distributions made to shareholders or to vote or consent or to receive notice as shareholders in respect of any meeting of shareholders for the election of directors of the Company or any other matter.

Section 16.12 Entire Agreement

This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes the Prior Agreement, any other prior written or oral understandings or agreements among them with respect thereto.

[Signature Page Follows]

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

GENERAL PARTNER:

DiamondRock Hospitality Company

By: /s/ Michael D. Schecter
Name: Michael D. Schecter
Title: General Counsel

LIMITED PARTNER:

DiamondRock Hospitality, LLC
By: DiamondRock Hospitality Company, its sole Member

By: /s/ Michael D. Schecter
Name: Michael D. Schecter
Title: General Counsel

FORM OF LIMITED PARTNER SIGNATURE PAGE
FOR PARTNERS ADMITTED AFTER JUNE ____, 2004

The undersigned, desiring to become one of the within named Limited Partners of DiamondRock Hospitality Limited Partnership, hereby becomes a party to the Agreement of Limited Partnership of DiamondRock Hospitality Limited Partnership by and among DiamondRock Hospitality Company and such Limited Partners, dated as of June ____, 2004, as amended. The undersigned agrees that this signature page may be attached to any counterpart of said Agreement of Limited Partnership.

Signature Line for Limited Partner:	[Name]
	By: ______________________________
	Name: Title: Date:
Address of Limited Partner:	______________________________
	______________________________

Exhibit A

Partners Contributions and Partnership Interests

Exhibit B

Capital Account Maintenance

Exhibit C

Special Allocation Rules

Exhibit D

Notice of Redemption

Exhibit 10.2

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of July 7, 2004, by and among **DIAMONDROCK HOSPITALITY COMPANY**, a Maryland corporation (the "Company"), **DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP**, a Delaware limited partnership (the "Partnership"), and **FRIEDMAN, BILLINGS, RAMSEY & CO., INC.**, a Delaware corporation ("FBR") and the **HOLDERS** (as defined below).

THE PARTIES ENTER THIS AGREEMENT on the basis of the following facts, understandings and intentions:

A. The Company, the Partnership and FBR entered into that certain Purchase/Placement Agreement dated as of June 29, 2004 (the "Purchase Agreement") in connection with the offering and sale (the "Offering") of an aggregate of up to 21,000,000 shares of common stock, par value $0.01 per share, of the Company ("Common Stock"), including up to 3,150,000 shares of Common Stock that may be issued pursuant to an additional allotment option granted to FBR (the aggregate of up to 21,000,000 shares, together with the 3,000,000 shares purchased by Marriott Hotel Services, Inc. concurrently with the Offering, the "Shares").

B. In order to induce the investors who are purchasing the Common Stock in the Offering to purchase such Common Stock and FBR to enter into the Purchase Agreement, the Company has agreed to provide the registration rights provided for in this Agreement to the Holders and such investors have, by separate instrument, agreed to be bound by the terms and provisions hereof.

C. The execution and delivery of this Agreement is a condition to the closing of the transactions contemplated by the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms have the following meanings:

Additional Shares: Shares (as defined below) or other securities issued in respect of the Shares by reason of or in connection with any share dividend, share distribution, share split, or similar issuance.

Agreement: As *defined* in the preamble hereof.

Affiliate: As to any specified Person, (i) any Person that directly, or indirectly through one or more intermediaries or relationships, controls or is controlled by, or is under common control with, the specified Person, (ii) any executive officer, director, trustee, managing member, general partner or Person in a similar capacity of the specified Person and (iii) any legal entity for which the specified Person acts as an executive officer, director, trustee, managing member, general partner or Person in a similar capacity. For purposes of this definition, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly, or indirectly through one or more intermediaries or relationships, of the power to direct or cause the direction of the management and policies of such Person, whether by contract, through the ownership of voting securities, partnership or member interests or other equity interests or otherwise. An indirect relationship includes, but is not limited to, circumstances in which a Person’s spouse, children, parents, siblings or mother-, father-, sister- or brother-in-law is or has been associated with a Person.

Business Day: With respect to any act to be performed hereunder, each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York, New York are authorized or obligated by applicable law, regulation or executive order to close.

Closing Time: July 7, 2004, or such other time or such other date as FBR and the Company may agree.

Commission: The Securities and Exchange Commission.

Common Stock: As defined in recital A hereof.

Company: As defined in the preamble hereof, and any successor thereto.

Controlling Person. As defined in Section 6(a) hereof.

End of Suspension Notice: As defined in Section 5(b) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission thereunder.

Executive Officers: The Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer and the General Counsel (collectively, the “Executive Officers”).

FBR: As defined in the preamble hereof, and any successor thereto.

Holder: Each record owner of any Registrable Shares from time to time.

Indemnified Party: As defined in Section 6(c) hereof.

Indemnifying Party: As defined in Section 6(c) hereof.

IPO Registration Statement: As defined in Section 2(b) hereof.

Liabilities: As defined in Section 6(a) hereof.

Mandatory Shelf Registration Statement: As defined in Section 2(a) hereof.

NASD: The National Association of Securities Dealers, Inc.

Offering: As defined in recital A hereof.

Partnership: As defined in the preamble hereof, and any successor thereto.

Person: An individual, partnership, corporation, trust, limited liability company, unincorporated organization, government or agency or political subdivision thereof, or any other legal entity.

Proceeding: An action (including a class action), claim, suit, demand, arbitration or other proceeding (including without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or, to the knowledge of the Person subject thereto, threatened.

Prospectus: The prospectus included in any Registration Statement, including any preliminary prospectus, and all other amendments and supplements to any such prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference, if any, in such prospectus.

Purchase Agreement: As defined in recital A hereof, as amended from time to time in accordance with the terms thereof.

Purchaser Indemnitee: As defined in Section 6(a) hereof.

Registrable Shares: Each of the Shares and any Additional Shares, upon original issuance thereof, and at all times subsequent thereto, including upon the transfer thereof by the original holder or any subsequent holder, until, in the case of any such Shares or Additional Shares, as applicable, the earliest to occur of:

(i) the date on which such Shares have been sold pursuant to a Registration Statement or sold, transferred or otherwise disposed of pursuant to Rule 144;

(ii) the date on which, in the opinion of counsel to the Company, such Shares not held by Affiliates of the Company are eligible for sale without registration under the Securities Act pursuant to subparagraph (k) of Rule 144; or

(iii) the second annual anniversary of the initial effective date of the Mandatory Shelf Registration Statement (subject to extension pursuant to Section 5(c)).

Registration Expenses: Any and all expenses of the Company or the Partnership incident to the Company's or Partnership's performance of or compliance with this Agreement, including, without limitation: (i) all Commission, securities exchange, NASD or other registration, listing, inclusion and filing fees, (ii) all fees and expenses incurred in connection with compliance with international, federal or state securities or blue sky laws (including, without limitation, any registration, listing and filing fees and reasonable fees and disbursements of counsel in connection with blue sky qualification of any of the Registrable Shares and the preparation of a blue sky memorandum and compliance with the rules of the NASD), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, duplicating, printing, delivering and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, agreements among underwriters, securities sales agreements, certificates and any other documents relating to the performance of the Company and the Partnership under, and compliance by the Company and the Partnership with, this Agreement, (iv) all fees and expenses incurred in connection with the listing or inclusion of any of the Registrable Shares on any securities exchange or national quotation system pursuant to Section 4(n) of this Agreement or otherwise, (v) the fees and disbursements of counsel for the Company and the Partnership and of the independent public accountants of the Company and the Partnership (including, without limitation, the expenses of any special audit and "cold comfort" letters required by or incident to such performance), and the reasonable fees and disbursements of one counsel (as selected by FBR) for the selling Holders to review any Registration Statement, and (vi) any fees and disbursements customarily paid or otherwise negotiated for payment by issuers in connection with issues and sales of securities (including the fees and expenses of any experts retained by the Company and the Partnership in connection with any Registration Statement), *provided, however,* that Registration Expenses shall exclude brokers' or underwriters' discounts and commissions and transfer taxes or transfer fees, if any, relating to the sale or disposition of Registrable Shares by a Holder and the fees and disbursements of any counsel to the Holders other than as provided for in subparagraph (v) above.

Registration Statement: Any Shelf Registration Statement or the IPO Registration Statement (that covers the resale of any Registrable Shares), including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre-and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement.

Rule 144: Rule 144 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 144A: Rule 144A promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 158: Rule 158 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 415: Rule 415 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 424: Rule 424 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 429: Rule 429 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Securities Act: The Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

Shares: As defined in recital A hereof.

Shelf Registration Statement: The Mandatory Shelf Registration Statement or any Subsequent Shelf Registration Statement.

Subsequent Shelf Registration Statement: As defined in Section 2(c) hereof.

Suspension Event: As defined in Section 5(b) hereof.

Suspension Notice: As defined in Section 5(b) hereof.

Underwritten Offering: A sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

2. Registration Rights.

(a) *Mandatory Shelf Registration.* The Company agrees to file with the Commission as soon as practicable, but in no event later than nine (9) months from the date hereof, a Shelf Registration Statement on Form S-11 or such other form under the Securities Act then available to the Company providing for the resale pursuant to Rule 415 from time to time by the Holders of all of the Registrable Shares (including for the avoidance of doubt any Additional Shares that are issued prior to the effectiveness of such shelf registration statement) (such registration statement, including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement, the "Mandatory Shelf Registration Statement"). The Company shall use commercially reasonable efforts to cause such Shelf Registration Statement to be declared effective by the Commission as promptly as practicable following such filing, but in no event later than six (6) months after the date of such filing (subject to extension pursuant to Section 2(b)(iv)). Such commercially reasonable efforts shall include, without limitation, responding to any comments issued by the staff of the Commission with respect to any Registration Statement and filing any related amendment to such Registration Statement as soon as reasonably practicable after receipt of such comments. Any Shelf Registration Statement shall provide for the resale from time to time and pursuant to any method or combination of methods legally available (including, without limitation, an Underwritten Offering, a direct sale to purchasers, a sale through brokers or agents, or sale over the Internet) by the Holders of any and all Registrable Shares.

(b) *IPO Registration.* If the Company proposes to file a registration statement on Form S-11 or such other form under the Securities Act providing for the initial public offering of shares of Common Stock (such registration statement, including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement, the "IPO Registration Statement"), the Company will notify, in writing, each Holder of the filing, within five (5) Business Days after such filing, and afford each Holder an opportunity to include in such IPO Registration Statement all or any part of the Registrable Shares then held by such Holder. Each Holder desiring to include in any such IPO Registration Statement all or part of the Registrable Shares held by such Holder shall, within twenty (20) Business Days after receipt of the above-described written notice by the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Shares such Holder wishes to include in such IPO Registration Statement. Any election by any Holder to include any Registrable Shares in such IPO Registration Statement will not affect the inclusion of such Registrable Shares in the Shelf Registration Statement until such Registrable Shares have been sold under the IPO Registration Statement; *provided, however,* that at such time of sale, the Company shall have the right to remove from the Shelf Registration Statement the Registrable Shares sold pursuant to the IPO Registration Statement.

(i) *Right to Terminate IPO Registration.* At any time, the Company shall have the right to terminate or withdraw any IPO Registration Statement referred to in this Section 2(b) whether or not any Holder has elected to include Registrable Shares in such registration; *provided, however,* that the Company must provide each Holder that elected to include any Registrable Shares in such IPO Registration Statement prompt written notice of such termination. Furthermore, in the event the IPO Registration Statement is not declared effective by the Commission within ninety (90) Business Days following delivery by the Company of notice to the Holders of their initial opportunity to include all or any part of the Registrable Shares then held by such Holders in the IPO Registration Statement, the Company shall promptly provide a new written notice to all Holders giving them another opportunity to elect to include Registrable Shares in the pending IPO Registration Statement. Each Holder desiring to include in any such IPO Registration Statement all or part of the Registrable Shares held by such Holder shall, within ten (10) Business Days after receipt of the above-described written notice by the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Shares such Holder wishes to include in such IPO Registration Statement. Any election by any Holder to include any Registrable Shares in such IPO Registration Statement will not affect the inclusion of such Registrable Shares in the Shelf Registration Statement until such Registrable Shares have been sold under the IPO Registration Statement; *provided, however,* that at such time of sale, the Company shall have the right to remove from the Shelf Registration Statement the Registrable Shares sold pursuant to the IPO Registration Statement.

(ii) *Underwriting.* The Company shall give written notice to the Holders who elected to be included in the IPO Registration Statement of the managing underwriters for the Underwritten Offering proposed under the IPO Registration Statement. The right of any such Holder's Registrable Shares to be included in any IPO Registration Statement pursuant to this Section 2(b) shall be conditioned upon such Holder's participation in such Underwritten Offering and the inclusion of such Holder's Registrable Shares in the Underwritten Offering to the extent provided herein. All Holders proposing to distribute their Registrable Shares through such Underwritten Offering shall enter into an underwriting agreement in customary form with the managing underwriters selected by the Company for such underwriting and complete and execute, as reasonably requested as to scope and form, any questionnaires, powers of attorney, indemnities, lock-up agreements, securities escrow agreements and other documents reasonably required under the terms of such underwriting, and furnish to the Company such information in writing as the Company may reasonably request for inclusion in the IPO Registration Statement; *provided, however,* that no Holder shall be required to make any representations or warranties to or agreements (including indemnities) with the Company or the underwriters other than representations, warranties or agreements (including indemnities) as are customary and reasonably requested by the underwriters with the understanding that the foregoing shall be several, not joint and several, and no such agreement (including indemnities) shall require any Holder to be liable for an amount in excess of the net proceeds received by such Holder through such Underwritten Offering. Notwithstanding any other provision of this Agreement, if at any time the managing underwriters and the Company mutually agree that marketing factors require a limitation on the number of shares to be included, then the managing underwriters may exclude shares (including Registrable Shares) from the IPO Registration Statement and the Underwritten Offering and any Shares included in the IPO Registration Statement and the Underwritten Offering shall be allocated, first, to the Company, and *second*, to each of the Holders requesting inclusion of their Registrable Shares in such IPO Registration Statement on a *pro rata* basis based on the total number of Registrable Shares then requested for inclusion by each such Holder. If any Holder disapproves of the terms of any Underwritten Offering that is undertaken in compliance with the terms hereof, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered no later than sixty (60) days after the initial filing date of the IPO Registration Statement. Any Registrable Shares excluded or withdrawn from such Underwritten Offering shall be excluded and withdrawn from the IPO Registration Statement.

(iii) *Hold-Back Agreement.* By electing to include Registrable Shares in the IPO Registration Statement, if any, the Holder shall be deemed to have agreed not to effect any sale or distribution of securities of the Company of the same or similar class or classes of the securities included in the Registration Statement or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 or Rule 144A under the Securities Act, during such periods as reasonably and customarily requested by the managing underwriter (but in no event for a period longer than sixty (60) days following the effective date of the IPO Registration Statement) and provided that each of the executive officers and directors of the Company that hold shares of Common Stock of the Company or securities convertible into or exchangeable or exercisable for shares of Common Stock of the Company are subject to restrictions at least as burdensome as those applicable to the Holders for not less than the entire time period required of the Holders hereunder.

(iv) *Shelf Registration Not Impacted by IPO Registration Statement.* The Company's obligation to file and use its commercially reasonable efforts to cause to become and keep effective any Shelf Registration Statement shall not be affected by the filing or effectiveness of the IPO Registration Statement; *provided, however,* if the Company files an IPO Registration Statement after the Company files the Mandatory Shelf Registration Statement but before the effective date of the Mandatory Shelf Registration Statement, the Company shall have the right to defer causing the Commission to declare the Mandatory Shelf Registration Statement effective until up to sixty (60) days after the closing date of any Underwritten Offering effected pursuant to the IPO Registration Statement.

(c) *Subsequent Shelf Registration for Additional Shares Issued after Effectiveness of the Mandatory Shelf Registration Statement*. If any Additional Shares are issued or distributed to Holders after the effectiveness of the Mandatory Shelf Registration Statement, or such Additional Shares were otherwise not included in a prior Shelf Registration Statement, then the Company shall as soon as practicable, but in no event later than sixty (60) days after the issuance of such Additional Shares, file an additional shelf registration statement (such registration statement, including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement, a "Subsequent Shelf Registration Statement") covering such Additional Shares on behalf of the Holders thereof in the same manner, and subject to the same provisions in this Agreement as the Mandatory Shelf Registration Statement, provided that the provisions of Section 2(a), 2(b), 9 or 10(a) hereof will not apply to any such Subsequent Shelf Registration Statement.

(d) *Expenses.* The Company shall pay all Registration Expenses in connection with the registration of the Registrable Shares pursuant to this Agreement. Each Holder participating in a registration pursuant to this Section 2 shall bear such Holder's proportionate share (based on the total number of Registrable Shares sold in such registration) of all discounts and commissions payable to underwriters or brokers and all transfer taxes and transfer fees in connection with a registration of Registrable Shares pursuant to this Agreement and any other expense of the Holders not allocated to the Company pursuant to this Agreement relating to the sale or disposition of such Holder's Registrable Shares pursuant to any Registration Statement.

3. Rules 144 and 144A Reporting.

With a view to making available the benefits of certain rules and regulations of the Commission that may permit the sale of the Registrable Shares to the public without registration, the Company agrees to, until such date as no Holder owns any Registrable Shares:

(a) at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public, make and keep public information available, as those terms are understood and defined in Rule 144(c) under the Securities Act;

(b) use its best efforts to timely file with the Commission all reports and other documents required to be filed by the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements);

(c) if the Company is not required to file reports and other documents under the Securities Act and the Exchange Act, make available other information as required by, and so long as necessary to permit sales of Registrable Shares pursuant to, Rule 144 and Rule 144A; and

(d) furnish to any Holder promptly upon request a written statement by the Company as to its compliance in all material respects with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the first Registration Statement filed by the

Company for an offering of its securities to the general public) and of the Securities Act and the Exchange Act (at any time after it has become subject to the reporting requirements of the Exchange Act), a copy of the most recent annual and quarterly report(s) of the Company, and such other reports, documents or shareholder communications of the Company, and take such further actions consistent with this Section, as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such Registrable Shares without registration.

4. Registration Procedures.

In connection with the obligations of the Company with respect to any registration pursuant to this Agreement, the Company shall use its commercially reasonable efforts to effect or cause to be effected the registration of the Registrable Shares under the Securities Act to permit the public resale of such Registrable Shares by the Holder or Holders in accordance with the Holders' intended method or methods of resale and distribution, and the Company (and, with respect to Sections 4(k) and 4(l) hereof, the Partnership) shall, without limitation:

(a) prepare and file with the Commission, as specified in this Agreement, a Shelf Registration Statement, which Shelf Registration Statement shall comply as to form with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith, and use its commercially reasonable efforts to cause such Registration Statement to become effective, as specified in this Agreement, and to remain effective, subject to Section 5 hereof, until the date on which no Holders hold Registrable Shares; *provided, however,* that the Company shall not be required to cause any IPO Registration Statement to become effective if it elects to terminate or withdraw the IPO Registration Statement pursuant to Section 2(b)(i) hereof and the Holders have been so notified; *provided, further*, that if the Company has an effective Shelf Registration Statement on Form S-11 under the Securities Act and becomes eligible to use Form S-3 or such other short-form registration statement under the Securities Act, the Company may, upon twenty (20) Business Days' prior written notice to all Holders of Registrable Shares, register any Registrable Shares registered but not yet distributed under the effective Shelf Registration Statement on such a short-form Shelf Registration Statement and, once the short-form Shelf Registration Statement is declared effective, de-register such shares under the previous Registration Statement or transfer filing fees from the previous Registration Statement (such transfer pursuant to Rule 429) unless any Holder of Registrable Shares registered under the initial Shelf Registration Statement notifies the Company within fifteen (15) Business Days of receipt of the Company notice that such a registration under a new Registration Statement and de-registration of the initial Shelf Registration Statement would materially interfere with its distribution of Registrable Shares already in progress, in which case the Company shall delay the effectiveness of the short-form Shelf Registration Statement and de-registration for a period of not less than thirty (30) Business Days from the date that the Company receives the notice from a Holder requesting a delay;

(b) subject to Section 4(i) hereof, (i) prepare and file with the Commission such amendments and post-effective amendments to each such Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement effective for the period described in Section 4(a) hereof, (ii) cause each Prospectus contained therein to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 or any similar rule that may be adopted under the Securities Act, and (iii) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by each Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Holders thereof;

(c) furnish to the Holders, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Shares; the Company consents, subject to Section 5, to the use of such Prospectus, including each preliminary Prospectus, by the Holders, if any, in connection with the offering and sale of the Registrable Shares covered by any such Prospectus;

(d) use its commercially reasonable efforts to (i) register or qualify, or obtain exemption from registration or qualification for, all Registrable Shares by the time the applicable Registration Statement is declared effective by the Commission under all applicable state securities or “blue sky” laws of such domestic United States jurisdictions as FBR or any Holder covered by a Registration Statement shall reasonably request in writing, (ii) keep each such registration or qualification or exemption effective during the period such Registration Statement is required to be kept effective pursuant to Section 4(a) and (iii) do any and all other acts and things that may be reasonably necessary or advisable to enable such Holder to consummate the disposition in each such jurisdiction of such Registrable Shares owned by such Holder; *provided, however,* that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Section 4(d), (ii) subject itself to taxation in any such jurisdiction, or (iii) submit to the general service of process in any such jurisdiction;

(e) use its commercially reasonable efforts to cause all Registrable Shares covered by such Registration Statement to be registered and approved by such other domestic state or local governmental agencies or authorities in the United States, if any, as may be necessary to enable the Holders thereof to consummate the disposition of such Registrable Shares;

(f) notify FBR and each Holder with Registrable Shares covered by a Registration Statement promptly and, if requested by FBR or by any such Holder, promptly confirm such advice in writing at the address determined in accordance with Section 10(c), (i) when such Registration Statement has become effective and when any post- effective amendments thereto become effective or upon the filing of a supplement to any prospectus, (ii) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of such Registration Statement or the initiation of any Proceedings for that purpose, (iii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to such Registration Statement or related Prospectus or for additional information, and (iv) of any reason, including, but not limited to, the happening of any event during the period such Registration Statement is effective as a result of which such Registration Statement or the related Prospectus or any document incorporated by reference therein contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading or, in the case of the Prospectus, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (which information shall be accompanied by an instruction to suspend the use of the Registration Statement and the Prospectus until the requisite changes have been made);

(g) during the period of time referred to in Section 4(a) above, use its commercially reasonable efforts to avoid the issuance of, or if issued, to obtain the withdrawal of, any order enjoining or suspending the use or effectiveness of a Shelf Registration Statement or suspending the qualification (or exemption from qualification) of any of the Registrable Shares for sale in any jurisdiction, as promptly as practicable;

(h) provide to FBR and its counsel within three (3) Business Days of receipt by the Company or its counsel, copies of any material correspondence with or from the Commission or its staff with respect to a Registration Statement; and upon request, furnish to each requesting Holder with Registrable Shares covered by a Registration Statement, without charge, at least one (1) conformed copy of such Registration Statement and any post-effective amendment or supplement thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(i) except as provided in Section 5, upon the occurrence of any event contemplated by Section 4(f)(iv) hereof, use its commercially reasonable efforts to promptly prepare a supplement or post-effective amendment to a Shelf Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Shares, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and, upon request and without charge, promptly furnish to each requesting Holder a reasonable number of copies of each such supplement or post-effective amendment;

(j) if requested by the representative of the underwriters, if any, or any Holders of Registrable Shares being sold in connection with an Underwritten Offering, (i) promptly incorporate in a prospectus supplement or post-effective amendment such material information as the representative of the underwriters, if any, or such Holders indicate in writing relates to them or otherwise reasonably request in writing be included therein and (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Company has received written notification of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(k) in the case of an Underwritten Offering, use its commercially reasonable efforts to furnish or cause to be furnished to each Holder of Registrable Shares covered by such Registration Statement and the underwriters a signed counterpart, addressed to the underwriters, of: (i) an opinion of counsel for the Company, dated the date of each closing under the underwriting agreement, covering the matters customarily covered in opinions delivered to underwriters in underwritten public offerings of securities and such other matters as the underwriters may reasonably request; and (ii) a “comfort” letter, dated the effective date of such Registration Statement and the date of each closing under the underwriting agreement, signed by the independent public accountants who have certified the Company’s financial statements included in such Registration Statement, covering substantially the same matters with respect to such Registration Statement (and the Prospectus included therein) and with respect to events subsequent to the date of such financial statements, as are customarily covered in accountants' letters delivered to underwriters in underwritten public offerings of securities and such other financial matters as such Holder and the underwriters may reasonably request and customarily obtained by underwriters in underwritten offerings;

(l) enter into customary agreements (including in the case of an Underwritten Offering, an underwriting agreement in customary form, provided that the terms of such underwriting agreement are reasonably satisfactory to the Company) and take all other reasonable action in connection therewith in order to expedite or facilitate the distribution of the Registrable Shares included in such Registration Statement and, in the case of an Underwritten Offering, make representations, warranties and agreements (including indemnities) to the Holders of Registrable Shares covered by such Registration Statement and to the underwriters in such form and scope as are customarily made by issuers to underwriters and Holders in underwritten offerings and confirm the same in writing to the extent customary if and when requested;

(m) in connection with an Underwritten Offering, make available for inspection by one representative appointed by the Holders of a majority of the Registrable Shares and the representative of any underwriters participating in any disposition pursuant to a Registration Statement and any counsel and accounting firm retained by the Holders and underwriters, respectively, during normal business hours and upon reasonable notice, all financial and other records, pertinent corporate documents and properties of the Company and cause the respective officers, directors, employees and agents of the Company to supply all information reasonably requested by any such representatives, the representative of the underwriters, counsel thereto or accountants in connection with a Registration Statement; *provided, however,* that such records, documents or information that the Company determines, in good faith, to be confidential and notifies such representative of the Holders, representative of the underwriters, counsel thereto or accountants thereto are confidential shall not be disclosed by the representatives, representative of the underwriters, counsel thereto or accountants unless (i) the disclosure of such records, documents or information is necessary to avoid or correct a misstatement or omission in a Registration Statement or Prospectus, (ii) the release of such records, documents or information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, or (iii) such records, documents or information have been generally made available to the public; *provided, further,* that to the extent practicable, the foregoing inspection and information gathering shall be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by and on behalf of the Holders and the other parties.

(n) use its commercially reasonable efforts to qualify for, and list or include all Registrable Shares on, the New York Stock Exchange or the Nasdaq National Market as soon as practicable (including, without limitation, seeking to cure in the Company's listing or inclusion application any deficiencies cited by the exchange or market) and thereafter use commercially reasonable efforts to maintain such listing;

(o) prepare and timely file all documents, reports and certifications required by the Securities Act and the Exchange Act at all times beginning from the date the Company is first subject to such filing, reporting or certification requirements through the date no Holders hold Registrable Shares;

(p) provide a CUSIP number for all Registrable Shares, not later than the effective date of the Registration Statement;

(q) (i) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and, as applicable, the New York Stock Exchange, Nasdaq National Market or other listing standard, and (ii) make generally available to its stockholders, as soon as reasonably practicable, earnings statements covering at least twelve (12) months beginning after the effective date of the Registration Statement that satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 (or any similar rule promulgated under the Securities Act) thereunder, no later than thirty-five (35) days after the end of each fiscal quarter occurring after the first anniversary of the effective date of the Registration Statement (unless such fiscal quarter is the last fiscal quarter of the Company's fiscal year, in which case such earnings statement shall be delivered no later than sixty (60) days after such fiscal quarter occurring after the first anniversary of the effective date of the Registration Statement);

(r) provide and cause to be maintained a registrar and transfer agent for all Registrable Shares covered by any Registration Statement from and after a date not later than the effective date of such Registration Statement;

(s) in connection with any sale or transfer of the Registrable Shares (whether or not pursuant to a Registration Statement) that will result in the security being delivered no longer being Registrable Shares, cooperate with the Holders and the representative of the underwriters, if any, to facilitate the timely preparation and delivery of certificates representing the Registrable Shares to be sold, which certificates shall not bear any transfer restrictive legends (other than as required by the Company's Charter) and to enable such Registrable Shares to be in such denominations and registered in such names as the representative of the underwriters, if any, or the Holders may reasonably request at least three (3) Business Days prior to any sale of the Registrable Shares; and

(t) upon effectiveness of the first Registration Statement filed by the Company, the Company will take such actions and make such filings as are necessary to effect the registration of the Common Stock under the Exchange Act simultaneously with or as soon as practicable following the effectiveness of the Registration Statement.

The Company may require the Holders to furnish to the Company such information regarding the proposed distribution by such Holder as the Company may from time to time reasonably request in writing or as shall be required to effect the registration of the Registrable Shares and no Holder shall be entitled to be named as a selling stockholder in any Registration Statement and no Holder shall be entitled to use the Prospectus forming a part thereof if such Holder does not provide such reasonable information to the Company. Any Holder that sells Registrable Shares pursuant to a Registration Statement or as a selling stockholder pursuant to an Underwritten Offering shall be required to be named as a selling stockholder in the related prospectus and to deliver a prospectus to purchasers. Each Holder further agrees to furnish promptly to the Company in writing all information required from time to time to make the information previously furnished by such Holder not misleading and each Holder shall have at least five (5) Business Days after receipt of any Registration Statement to review the Registration Statement with respect to the accuracy of the information provided by such Holder and to provide comments thereon to the Company or its counsel. The designated counsel, if any, for the Holders shall, on behalf of the Holders, have at least ten (10) Business Days after receipt of any Registration Statement to review the Registration Statement and to provide comments thereon to the Company or its counsel prior to the time it is filed with the Commission.

Each Holder agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 4(f)(ii), 4(f)(iii) or 4(f)(iv) hereof, such Holder will immediately discontinue disposition of Registrable Shares pursuant to a Registration Statement until such Holder's receipt of copies of the supplemented or amended Prospectus. If so directed by the Company, such Holder will deliver to the Company (at the reasonable expense of the Company) all copies in its possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Shares current at the time of receipt of such notice.

5. Black-Out Period.

(a) Subject to the provisions of this Section 5 and a good faith determination by a majority of the independent members of the Board of Directors of the Company that it is in compliance with the terms hereof and that is in the best interests of the Company to suspend the use of the Registration Statement (and the filings with any international, federal or state securities commissions), the Company, by written notice to FBR and the Holders, may direct the Holders to suspend sales of the Registrable Shares pursuant to a Registration Statement for such times as the Company reasonably may determine is necessary and advisable (but in no event for more than an aggregate of ninety (90) days in any rolling twelve (12)-month period commencing on the Closing Time or more than thirty (30) days in any rolling ninety (90)-day period, and no more than six (6) separate times in any rolling twenty-four (24)-month period) if any of the following events shall occur: (i) a majority of the independent members of the Board of Directors of the Company in good faith determine that (A) the offer or sale of any Registrable Shares would materially impede, delay or interfere with any material proposed acquisition, merger, tender offer, business combination, corporate reorganization, consolidation, debt or equity financing or other similar material transaction involving the Company, (B) after the advice of counsel, sale of Registrable Shares pursuant to the Registration Statement would require disclosure of non-public material information not otherwise required to be disclosed under applicable law, and (C) disclosure would have a material adverse effect on the Company or the Company's ability to consummate such transaction in each case under circumstances that would make it impractical or inadvisable to cause the Registration Statement (or such filings) to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis, as applicable; or (ii) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith, after the advice of counsel, that it is required by law, rule or regulation to supplement the Registration Statement or file a post-effective amendment to the Registration Statement in order to incorporate information into the Registration Statement for the purpose of (1) including in the Registration Statement any Prospectus required under Section 10(a)(3) of the Securities Act; (2) reflecting in the Prospectus included in the Registration Statement any facts or events arising after the effective date of the

Registration Statement (or of the most-recent post-effective amendment) that, individually or in the aggregate, represents a fundamental change in the information set forth therein; or (3) including in the Prospectus included in the Registration Statement any material information with respect to the plan of distribution not disclosed in the Registration Statement or any material change to such information. Upon the occurrence of any such suspension, the Company shall use its commercially reasonable efforts to cause the Registration Statement to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis or to take such action as is necessary to permit resumed use of the Registration Statement as soon as possible.

(b) In the case of an event that causes the Company to suspend the use of a Registration Statement (a "Suspension Event"), the Company shall give written notice (a "Suspension Notice") to FBR and the Holders to suspend sales of the Registrable Shares and such notice shall state generally the basis for the notice and that such suspension shall continue only for so long as the Suspension Event or its effect is continuing and the Company is using its commercially reasonable efforts and taking all reasonable steps to terminate suspension of the use of the Registration Statement as promptly as possible. The Holders shall not effect any sales of the Registrable Shares pursuant to such Registration Statement (or such filings) at any time after receiving a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice (as defined below). If so directed by the Company, each Holder will deliver to the Company (at the expense of the Company) all copies other than permanent file copies then in such Holder's possession of the Prospectus covering the Registrable Shares at the time of receipt of the Suspension Notice. The Holders may recommence effecting sales of the Registrable Shares pursuant to the Registration Statement (or such filings) following further notice to such effect (an "End of Suspension Notice") from the Company, which End of Suspension Notice shall be given by the Company to FBR and the Holders in the manner described above promptly following the conclusion of any Suspension Event and its effect.

(c) Notwithstanding any provision herein to the contrary, if the Company shall give a Suspension Notice pursuant to this Section 5 with respect to any Registration Statement, the Company agrees that it shall extend the period of time during which such Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from the date of the giving of a Suspension Notice to and including the date when Holders shall have received an End of Suspension Notice and copies of the supplemented or amended Prospectus necessary to resume sales, with respect to each Suspension Event; provided such period of time shall not be extended beyond the date that Shares are no longer Registrable Shares.

6. Indemnification and Contribution.

(a) The Company and the Partnership, jointly and severally, agree to indemnify and hold harmless (i) FBR and each Holder, (ii) each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act), any of the foregoing (any of the Persons referred to in this clause (ii) being hereinafter referred to as a "Controlling Person"), and (iii) the respective officers, directors, partners, members, managers, employees, representatives and agents of FBR and each Holder or any Controlling Person (any Person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as a "Purchaser

Indemnitee") from and against any and all losses, damages, judgments, Proceedings, reasonable out-of- pocket expenses, and other liabilities (collectively, the "Liabilities"), including, without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any Proceeding by any governmental agency or body, commenced or threatened, including to the extent hereinafter provided, the reasonable fees and expenses of outside counsel to any Purchaser Indemnitee, joint or several, directly or indirectly related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (as amended or supplemented if the Company shall have furnished to such Purchaser Indemnitee any amendments or supplements thereto), or any preliminary Prospectus or any other document prepared by the Company used to sell the Registrable Shares, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except to the extent such Liabilities arise out of or are based upon (i) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to any Purchaser Indemnitee furnished to the Company or any underwriter in writing by such Purchaser Indemnitee expressly for use therein, or (ii) any untrue statement contained in or omission from a preliminary Prospectus if a copy of the Prospectus (as then amended or supplemented, if the Company shall have furnished to or on behalf of the Holder participating in the distribution relating to the relevant Registration Statement any amendments or supplements thereto) was not sent or given by or on behalf of such Holder to the Person asserting any such Liabilities who purchased Shares, if such Prospectus (or Prospectus as amended or supplemented) is required by law to be sent or given at or prior to the written confirmation of the sale of such Shares to such Person and the untrue statement contained in or omission from such preliminary Prospectus was corrected in the Prospectus (or the Prospectus as amended or supplemented if the Company shall have furnished any amendments or supplements thereto). The indemnity provided for herein shall remain in full force and effect regardless of any investigation made by or on behalf of any Purchaser Indemnitee.

(b) In connection with any Registration Statement in which a Holder is participating and as a condition to such participation, such Holder agrees, severally and not jointly, to indemnify and hold harmless the Company and the Partnership, each Person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act and the respective partners, directors, officers, members, representatives, employees and agents of the Company, the Partnership and each such Person to the same extent as the foregoing indemnity from the Company and the Partnership to each Purchaser Indemnitee, but only with reference to untrue statements or omissions or alleged untrue statements or omissions made in reliance upon and in strict conformity with information relating to such Purchaser Indemnitee furnished to the Company in writing by such Purchaser Indemnitee expressly for use in any Registration Statement or Prospectus, any amendment or supplement thereto, or any preliminary Prospectus. The liability of any Purchaser Indemnitee pursuant to this paragraph shall in no event exceed the net proceeds received by such Purchaser Indemnitee from sales of Registrable Shares giving rise to such obligations.

(c) If any Proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any Person in respect of which indemnity may be sought pursuant to paragraph (a) or (b) above, such Person (the "Indemnified Party, or if more than one Indemnified Party, the "Indemnified Parties") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party"), in writing of the commencement thereof (but the failure to so notify an Indemnifying Party shall not relieve it from any liability which it may have under this Section 6, except to the extent the Indemnifying Party is materially prejudiced by the failure to give notice), and the Indemnifying Party, shall assume the defense of such Proceeding and retain counsel chosen by the Indemnifying Party and approved by the Indemnified Party, which approval shall not be unreasonably withheld, to represent the Indemnified Party and any others the Indemnifying Party may reasonably designate in such Proceeding and shall pay the reasonable fees and expenses actually incurred by such counsel related to such Proceeding. Notwithstanding the foregoing, in any such Proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party, unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed in writing to the contrary, (ii) the Indemnifying Party failed within a reasonable time after notice of commencement of the Proceeding to assume the defense and engage counsel approved by the Indemnified Party as hereinabove provided, (iii) the Indemnifying Party and its counsel do not pursue in a reasonable manner the defense of such Proceeding, (iv) such Indemnified Party shall have been reasonably advised by counsel that, either (x) there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party or such affiliate of the Indemnifying Party or (y) a conflict may exist between such Indemnified Party and the Indemnifying Party or such affiliate of the Indemnifying Party, then the Indemnifying Party shall not have the right to assume nor direct the defense of such Proceeding on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such Proceeding or separate but substantially similar or related Proceedings arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one (1) separate firm of attorneys (in addition to any local counsel), for all such Indemnified Parties, which firm shall be designated in writing by those Indemnified Parties who sold a majority of Registrable Shares sold by all such Indemnified Parties (excluding Registrable Shares sold by the Company to its Affiliates) and any such separate firm for the Company, the Partnership, the directors, the officers and such control Persons of the Company and the Partnership as shall be designated in writing by the Company. The Indemnifying Party shall not be liable for any settlement of any Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify any Indemnified Party from and against any loss or liability resulting from such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened Proceeding in respect of which any Indemnified Party is a party or the subject thereof and indemnity could have been sought hereunder by such Indemnified Party, unless (i) such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding in a form satisfactory to the Indemnified Party and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of the Indemnified Party.

(d) If the indemnification provided for in paragraphs (a) and (b) of this Section 6 is for any reason held to be unavailable to an Indemnified Party in respect of any Liabilities referred to therein (other than by reason of the exceptions provided therein) or is insufficient to hold harmless a party indemnified thereunder, then each Indemnifying Party under such paragraphs, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Parties and the Indemnified Party, as well as any other relevant equitable considerations. The relative fault of the Company and the Partnership, on the one hand, and any Purchaser Indemnitees, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Partnership, on the one hand, or by such Purchaser Indemnitees, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The parties agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by *pro rata* allocation (even if such Indemnified Parties were treated as one entity for such purpose), or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph 6(d) above. The amount paid or payable by an Indemnified Party as a result of any Liabilities referred to in paragraph 6(d) shall be deemed to include, subject to the limitations set forth above, any reasonable legal or other expenses actually incurred by such Indemnified Party in connection with investigating or defending any such Proceeding. Notwithstanding the provisions of this Section 6, in no event shall a Purchaser Indemnitee be required to contribute any amount in excess of the amount by which proceeds (net of any discounts or commissions) received by such Purchaser Indemnitee from sales of Registrable Shares exceeds the amount of any damages that such Purchaser Indemnitee has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. For purposes of this Section 6, each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act) FBR or a Holder shall have the same rights to contribution as FBR or such Holder, as the case may be, and each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act) the Company shall have the same rights to contribution as the Company. Any party entitled to contribution will, promptly after receipt of notice of commencement of any Proceeding against such party in respect of which a claim for contribution may be made against another party or parties, notify each party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 6 or otherwise, except to the extent that any party is actually and materially prejudiced by the failure to give notice. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act), shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) The indemnity and contribution agreements contained in this Section 6 will be in addition to any liability which the Indemnifying Parties may otherwise have to the Indemnified Parties referred to above. The Purchaser Indemnitee's obligations to contribute pursuant to this Section 6 are several in proportion to the respective number of Shares sold by each of the Purchaser Indemnitees hereunder and not joint.

7. Market Stand-off Agreement.

Each Holder hereby agrees that it shall not, to the extent requested in writing by the Company or an underwriter of securities of the Company, directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any Registrable Shares or other shares of Common Stock of the Company or any securities convertible into or exchangeable or exercisable for shares of Common Stock of the Company then owned by such Holder (other than to donees or partners of the Holder who agree to be similarly bound) within sixty (60) days following either (x) the effective date of the IPO Registration Statement of the Company filed under the Securities Act or (y) the date of an Underwritten Offering by the Company pursuant to a shelf registration statement of the Company filed under the Securities Act; *provided, however,* that:

(a) with respect to the up to 60-day restriction that follows the effective date of the IPO Registration Statement, such agreement shall not be applicable to Registrable Shares sold pursuant to such IPO Registration Statement;

(b) all executive officers and directors of the Company then holding shares of Common Stock or securities convertible into or exchangeable or exercisable for shares of Common Stock of the Company shall enter into similar agreements for not less than the entire time period required of the Holders hereunder; and

(c) the Holders shall be allowed any concession or proportionate release allowed to any executive officer or director that entered into similar agreements.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the securities subject to this Section 7 and to impose stop transfer instructions with respect to the Registrable Shares and such other securities of each Holder (and the securities of every other Person subject to the foregoing restriction) until the end of such period.

8. Termination of the Company’s Obligations.

The Company shall have no further obligations pursuant to this Agreement at such time as no Registrable Shares are outstanding, *provided, however,* that the Company’s obligations under Sections 6 and 10 of this Agreement shall remain in full force and effect following such time.

9. Limitations on Subsequent Registration Rights.

From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders (other than Affiliates of the Company) of a majority of the then outstanding Registrable Shares (excluding Registrable Shares held by Affiliates of the Company), enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder to include such securities in the IPO Registration Statement, if any, filed pursuant to the terms hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such Holder's securities will not reduce the amount of Registrable Shares of the Holders included in the IPO Registration Statement.

10. Miscellaneous.

(a) Remedies. If (i) the Company does not initially file the Mandatory Shelf Registration Statement with the Commission on or prior to nine (9) months from the date hereof, (ii) the Company does not cause such Mandatory Shelf Registration Statement to be declared effective by the Commission on or prior to six (6) months after the initial date of filing such Mandatory Shelf Registration Statement (subject to extension pursuant to Section 2(b)(iv)), (iii) the Company fails to comply with its obligations set forth in Sections 2 and 4 to file, when and as required, any documents or other materials necessary to effect, or maintain the effectiveness of, any Shelf Registration Statement or (iv) the Board of Directors of the Company determines to direct, or the Holders are otherwise required, to suspend sales of Registrable Shares under any effective Registration Statement for more than ninety (90) days during any rolling twelve (12)-month period commencing on the Closing Time, for more than thirty (30)-days during any rolling ninety (90)-day period or more than six (6) separate times in any rolling twenty-four (24)-month period, then (A) each of the Executive Officers shall forfeit, and shall not be entitled to receive from the Company, that portion of such Executive Officer's annual cash incentive bonus that may become payable to such Executive Officer equal to the pro rata share of such bonus based on the number of days in the period of time during such calendar year that the Company has not complied with such obligations and the total amount of such bonus payable for the entire calendar year, and (B) for each day during any period that the Company has not complied with such obligations, each Executive Officer shall forfeit that amount of such Executive Officer's shares of restricted stock equal to 2% of all of such Executive Officer's shares of restricted stock granted to such Executive Officer by the Company pursuant to the Company's 2004 Stock Option and Incentive Plan; *provided, however,* that in no event shall the forfeiture provided for in this Section 10(a) apply at any time when the Company has endeavored in good faith to file the Shelf Registration Statement or to cause the Mandatory Shelf Registration Statement to be declared effective by the Commission within the time period specified in clause (ii) of this Section 10(a) but is unable to make such filing or to cause the Shelf Registration Statement to be declared effective as of such date as a result of circumstances outside the reasonable control of the Company; *provided, further,* that with respect to any forfeiture of shares of restricted stock nine (9) months from the date hereof, the Company shall have an additional two Business Days grace period to file the Shelf Registration Statement before any forfeiture shall be required hereunder; and *provided, further,* that if, at the end of the time period specified in clause (ii) of this Section 10(a), the Registration Statement or the Prospectus included therein, if declared effective at such time, would contain an untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Company shall have an additional twenty (20) Business Days grace period to cause the Shelf Registration Statement to be declared effective before any forfeiture shall be required hereunder. The provisions set forth in this Section 10(a) shall not limit the remedies of any party hereto with respect to the breach of any provisions of this Agreement.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, without the written consent of the Company and Holders beneficially owning not less than fifty percent (50%) of the then outstanding Registrable Shares; *provided, however,* that for purposes of this Agreement, Registrable Shares that are owned, directly or indirectly, by an Affiliate of the Company shall not be deemed to be outstanding. Notwithstanding the foregoing, a waiver or consent to or departure from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of any other Holder may be given by such Holder; provided that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence.

(c) Notices. All notices and other communications, provided for or permitted hereunder shall be made in writing by delivered by facsimile (with receipt confirmed), overnight courier or registered or certified mail, return receipt requested, or by telegram

(i) if to a Holder, at the most current address given by the transfer agent and registrar of the Shares to the Company; and

(ii) if to the Company or the Partnership, at the offices of the Company at 10400 Fernwood Road, Bethesda, Maryland 20817, Attention: General Counsel, (fax (301) 644-7945), with a copy to Goodwin Procter LLP, Exchange Place, Boston, Massachusetts 02109, Attention: Gilbert C. Menna, P.C. (fax (617) 523-1231).

Receipt of any notice sent pursuant to this Agreement shall be deemed to occur five (5) days after mailing by the party giving such notice. The Company shall cause the transfer agent to use commercially reasonable efforts to maintain current addresses of the Holders.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto including the Holders. The Company agrees that the Holders shall be parties to the agreements made hereunder and shall be entitled to the benefits and subject to the obligations hereof, and the Company and each Holder shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights hereunder. The Company may assign its rights and obligations hereunder to any successor of the Company's business involving a transaction approved by the Company's stockholders in accordance with applicable law, or with the prior written consent of Holders (other than Affiliates of the Company) of a majority of the then outstanding Registrable Shares.

(e) Stock Legend. In addition to any other legend that may appear on the stock certificates evidencing the Registrable Shares, for so long as any Shares remain Registrable Shares each stock certificate evidencing such Registrable Shares shall contain a legend to the following effect: "THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO AND ENTITLED TO THE BENEFITS OF A CERTAIN REGISTRATION RIGHTS AGREEMENT, DATED JULY 7, 2004".

(f) REIT Qualification. For so long as any Registrable Shares are outstanding, the Company shall use its reasonable best efforts to take such actions as are necessary or appropriate to qualify the Company as a REIT and shall not take any action to revoke or otherwise terminate the Company's REIT election pursuant to Section 856(g) of the Code.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE (INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW BUT EXCLUDING ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAWS RULES).** EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK OR ANY OTHER NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties hereto that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j) Entire Agreement. This Agreement, together with the Purchase Agreement, is intended by the parties hereto as a final expression of their agreement, and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein.

(k) Registrable Shares Held by the Company or its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Shares is required hereunder, Registrable Shares held by the Company or its Affiliates shall not be counted in determining the number of then outstanding Registrable Shares or in the number of Registrable Shares providing such consent or approval.

(l) Survival. This Agreement is intended to survive the consummation of the transactions contemplated by the Purchase Agreement. The indemnification and contribution obligations under Section 6 of this Agreement shall survive the termination of the Company's obligations under Section 2 of this Agreement.

(m) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the provisions of this Agreement. All references made in this Agreement to "Section" refer to such Section of this Agreement, unless expressly stated otherwise.

(n) Attorneys' Fees. In any Proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, shall be entitled to recover its reasonable attorneys' fees in addition to any other available remedy.

[Signatures on the Following Page]

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

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ Michael D. Schecter
Name: Michael D. Schecter
Title: General Counsel and Secretary

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP

By: **DiamondRock Hospitality Company**, its General Partner

By: /s/ Michael D. Schecter
Name: Michael D. Schecter
Title: General Counsel and Secretary

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.

By: /s/ James R. Kleeblatt
Name: James R. Kleeblatt
Title: Senior Managing Director

Exhibit 10.5

DIAMONDROCK HOSPITALITY COMPANY

2004 STOCK OPTION AND INCENTIVE PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

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

The following terms shall be defined as set forth below:

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

"Additional Shares" shall have the meaning specified in Section 3(a).

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

"Award" or *"Awards,"* except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Deferred Stock Awards, Restricted Stock Awards, Unrestricted Stock Awards, Dividend Equivalent Rights and Other Share-Based Awards.

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

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

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

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

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

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

"Effective Date" means the date on which the Plan is approved by stockholders as set forth in Section 18.

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

"Fair Market Value" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), NASDAQ National System or a national securities exchange, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations; provided further, however, that if the date for which Fair Market Value is determined is the first day when trading prices for the Stock are reported on NASDAQ or on a national securities exchange, the Fair Market Value shall be the "Price to the Public" (or equivalent) set forth on the cover page for the final prospectus relating to the Company's Initial Public Offering.

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

"Initial Public Offering" means the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Act covering the offer and sale by the Company of its equity securities, or such other event as a result of or following which the Stock shall be publicly held.

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

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

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

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

"Performance Cycle" means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more performance criteria will be measured for the purpose of determining a grantee's right to and the payment of a Restricted Stock Award or Deferred Stock Award.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 1,107,500 shares, subject to adjustment as provided in Section 3(b); plus 5% of the total number of shares of Common Stock of the Company outstanding on a fully diluted basis on the first anniversary of the closing of the Company's offering of equity securities, pursuant to its preliminary offering memorandum dated June 4, 2004 (the "June 2004 Offering"), in excess of 1,107,500 shares (the "Additional Shares"); provided that after giving effect to the foregoing, the maximum number of shares of Stock reserved and available for issuance under the Plan may not exceed 2,000,000 shares. For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, canceled, held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options or Stock Appreciation Rights with respect to no more than 500,000 shares of Stock may be granted to any one individual grantee during any one calendar year period; and provided further, that no Additional Shares may be issued in the form of Incentive Stock Options. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) Changes in Stock. Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for a different number or kind of securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options or Stock Appreciation Rights that can be granted to any one individual grantee and the maximum number of shares that may be granted under a Performance-based Award, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iv) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, (v) the number of Unrestricted Stock Awards automatically granted to Non-Employee Directors**,** and (vi) the price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator may also adjust the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event if it is determined by the Administrator that such adjustment is appropriate to avoid distortion in the operation of the Plan, provided that no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the grantee, if it would constitute a modification, extension or renewal of the Option within the meaning of Section 424(h) of the Code.

(c) Mergers and Other Transactions. In the case of and subject to the consummation of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the outstanding shares of Stock are converted into or exchanged for a different kind of securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction, or (iv) the sale of all of the Stock of the Company to an unrelated person or entity (in each case, a "Sale Event"), all Options and Stock Appreciation Rights that are not exercisable immediately prior to the effective time of the Sale Event shall become fully exercisable as of the effective time of the Sale Event and all other Awards shall become fully vested and nonforfeitable as of the effective time of the Sale Event, except as the Administrator may otherwise specify with respect to particular Awards in the relevant Award documentation. Upon the effective time of the Sale Event, the Plan and all outstanding Awards granted hereunder shall terminate, unless provision is made in connection with the Sale Event in the sole discretion of the parties thereto for the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree (after taking into account any acceleration hereunder). In the event of such termination, each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights held by such grantee, including those that will become exercisable upon the consummation of the Sale Event; provided, however, that the exercise of Options and Stock Appreciation Rights not exercisable prior to the Sale Event shall be subject to the consummation of the Sale Event.

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

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

SECTION 4. ELIGIBILITY

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

SECTION 5. STOCK OPTIONS

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

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

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

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

(ii) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Incentive Stock Option shall be exercisable more than 10 years after the date the Incentive Stock Option is granted and no Non-Qualified Stock Option shall be exercisable more than 15 years after the date the Non-Qualified Stock Option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such Stock Option shall be no more than five years from the date of grant.

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

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

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

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

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

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

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

(b) Stock Options Granted to Non-Employee Directors.

(i) The Administrator, in its discretion, may grant Non-Qualified Stock Options to Non-Employee Directors. Any such grant may vary among individual Non-Employee Directors.

(ii) The exercise price per share for the Stock covered by a Stock Option granted under this Section 5(b) shall be equal to 100% of the Fair Market Value of the Stock on the date the Stock Option is granted (other than options granted in lieu of cash compensation).

(iii) Unless otherwise determined by the Administrator, an Option issued under this Section 5(b) shall not be exercisable after the expiration of 15 years from the date of grant.

(iv) Options granted under this Section 5(b) may be exercised only by written notice to the Company specifying the number of shares to be purchased. Payment of the full purchase price of the shares to be purchased may be made by one or more of the methods specified in Section 5(a)(iv). An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

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

SECTION 6. STOCK APPRECIATION RIGHTS

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

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

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

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

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

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

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

SECTION 7. RESTRICTED STOCK AWARDS

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

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

(c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, if any, if a grantee's employment (or other service relationship) with the Company and its Subsidiaries terminates for any reason, any Restricted Stock that has not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a shareholder. Following such deemed reacquisition of unvested Restricted Stock that are represented by physical certificates, grantee shall surrender such certificates to the Company upon request without consideration.

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

SECTION 8. DEFERRED STOCK AWARDS

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

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

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

(d) Restrictions. A Deferred Stock Award may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of during the deferral period.

(e) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee's right in all Deferred Stock Awards that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 9. UNRESTRICTED STOCK AWARDS

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

(b) Automatic Grants of Unrestricted Stock Awards

(A) Each Non-Employee Director who is serving as a Director of the Company on the closing of the June 2004 Offering will automatically be granted 5,000 shares of Unrestricted Stock on the date of such closing.

(B) Each Non-Employee Director who is serving as a Director of the Company on the date of the meeting of the Board of Directors immediately following each annual meeting of shareholders will automatically be granted 1,000 shares of Unrestricted Stock.

SECTION 10. PERFORMANCE-BASED AWARDS TO COVERED EMPLOYEES

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

(a) Performance Criteria. The performance criteria used in performance goals governing Performance-based Awards granted to Covered Employees may include any or all of the following: (i) the Company's return on equity, assets, capital or investment: (ii) pre-tax or after-tax profit levels of the Company or any Subsidiary, a division, an operating unit or a business segment of the Company, or any combination of the foregoing; (iii) cash flow, funds from operations or similar measure; (iv) total shareholder return; (v) changes in the market price of the Stock; (vi) sales or market share; or (vii) earnings per share.

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

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

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

SECTION 11. DIVIDEND EQUIVALENT RIGHTS

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

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

(c) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee's rights in all Dividend Equivalent Rights or interest equivalents granted as a component of another Award that has not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 12. OTHER SHARE-BASED AWARDS

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

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

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

(d) Termination of Employment or Service. In the event that a recipient ceases to be employed by or to provide services to the Company, or any Subsidiary, any outstanding Other Share-Based Awards previously granted to such recipient shall be subject to such terms and conditions as set forth in the Award agreement governing such Other Share-Based Awards. Except as may otherwise be provided by the Administrator either in the Award agreement, or, subject to Section 15 below, in writing after the Award agreement is issued, a grantee's rights in all Other Share-Based Awards that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 13. TAX WITHHOLDING

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

(b) Payment in Stock. Subject to approval by the Administrator, a grantee may elect to have the required tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Stock owned by the grantee with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

SECTION 14. TRANSFER, LEAVE OF ABSENCE, ETC.

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

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

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

SECTION 15. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. Except as provided in Section 3(b) or 3(c), in no event may the Administrator exercise its discretion to reduce the exercise price of outstanding Stock Options or effect repricing through cancellation and re-grants. Any material Plan amendments (other than amendments that curtail the scope of the Plan), including any Plan amendments that (i) increase the number of shares reserved for issuance under the Plan, (ii) expand the type of Awards available, materially expand the eligibility to participate or materially extend the term of the Plan, or (iii) materially change the method of determining Fair Market

Value, shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. In addition, to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 15 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(c).

SECTION 16. STATUS OF PLAN

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

SECTION 17. GENERAL PROVISIONS

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

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

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

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

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

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

SECTION 18. EFFECTIVE DATE OF PLAN

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

SECTION 19. GOVERNING LAW

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

DATE APPROVED BY BOARD OF DIRECTORS: June 4, 2004

DATE APPROVED BY STOCKHOLDERS: June 4, 2004

Exhibit 10.10

William W. McCarten

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made this 4th day of June 2004, by DiamondRock Hospitality Company, a Maryland corporation (the "REIT"), with its principal place of business at 10400 Fernwood Road, Bethesda, Maryland and William W. McCarten, residing at 2008 Roundhouse Road, Vienna, Virginia (the "Executive").

WHEREAS, the parties desire to enter into this agreement to reflect the Executive's executive capacities in the REIT's business and to provide for the REIT's employment of the Executive; and

WHEREAS, the parties wish to set forth the terms and conditions of that employment;

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. **Term of Employment**

The REIT hereby employs the Executive, and the Executive hereby accepts employment with the REIT, upon the terms and conditions set forth in this Agreement. Unless terminated earlier pursuant to Section 5, the Executive's employment pursuant to this Agreement shall be for the period commencing on the date hereof (the "Commencement Date") and ending on the third anniversary of the Commencement Date (the "Initial Term"). The Initial Term shall be extended for an additional 12 months at the end of the Initial Term unless the REIT or the Executive provides written notice to the contrary at least six months before such date. The Initial Term, together with any such extension, shall be referred to herein as the "Employment Period." In the event that the Board of Directors of the REIT (the "Board of Directors") determines that active efforts to complete the closing of the REIT's Rule 144A Offering (the "144A Offering") have been abandoned, this Agreement shall become null and void.

2. **Title; Duties**

During the Employment Period, the Executive shall be employed in the business of the REIT and its affiliates. The Executive shall serve as Chief Executive Officer and, if elected, as Chairman of the Board of Directors and as a director of the REIT and, upon the reasonable request of the Board of Directors, as a director and/or officer of any of the REIT's affiliates, including DiamondRock Hospitality Limited Partnership (the "Company"). The Executive shall report to the Board of Directors, who shall have the authority to direct, control and supervise the activities of the Executive. The Executive shall perform such services consistent with his position and as may be assigned to him from time to time by the Board of Directors.

3. **Extent of Services**

The Executive agrees not to engage in any business activities during the Employment Period except those which are for the sole benefit of the REIT and the Company and their subsidiaries (the REIT and the Company are hereinafter referred to as the "Company Group"),

and to devote his entire business time, attention, skill and effort to the performance of his duties under this Agreement. Notwithstanding the foregoing, the Executive may, without impairing or otherwise adversely affecting the Executive's performance of his duties to the Company Group, (i) engage in personal investments and charitable, professional and civic activities, and (ii) with the prior approval of the Board of Directors, serve on the boards of directors of corporations other than the REIT, provided, however, that no such approval shall be necessary for the Executive's continued service on any board of directors on which he was serving on the date of this Agreement, all of which have been previously disclosed to the Board of Directors in writing and provided further, that in no event shall the Executive be permitted to serve on the board of directors of any other entity that owns, operates, acquires, sells, develops and/or manages any hotel or similar asset in the lodging industry.

4. **Compensation and Benefits**

(a) **Salary**. The REIT shall pay the Executive an initial gross base annual salary ("Base Salary") of $500,000. The Base Salary shall be payable (minus such deductions as may be required by law or reasonably requested by the Executive) in accordance with the REIT's regularly scheduled payroll dates but in no event less frequently than monthly. The REIT's Compensation Committee (the "Compensation Committee") shall review the Executive's Base Salary annually and may increase (but not decrease) the Executive's Base Salary as in effect from time to time as the Compensation Committee shall deem appropriate.

(b) **Incentive Compensation**. The Executive shall be entitled to receive an annual cash incentive bonus (the "Incentive Bonus") for each calendar year during the Term of this Agreement based on the level of accomplishment of management and performance objectives as established by the Compensation Committee. The Executive's initial maximum target Incentive Bonus shall be 125% of the Executive's Base Salary.

(c) **Paid Time Off and Other Benefits**. The Executive shall be entitled to paid time off for a minimum of 25 days each calendar year, which shall be accrued ratably during the calendar year, as well as holiday pay in accordance with the REIT's policies in effect from time to time. The Executive shall be eligible to participate in such life, health, and disability insurance, pension, deferred compensation and incentive plans, options and awards, performance bonuses and other benefits as the Company Group extends, as a matter of policy, to its executive employees, provided, however, that for so long as the Executive continues to participate in and be covered by a group health plan sponsored by Marriott International, Inc. (the "Marriott Health Plan"), rather than a group health plan sponsored by the Company Group and extended to its executive employees (the "Company Health Plan"), Executive shall be entitled to reimbursement on a monthly basis for the amount equal to the amount by which (x) the monthly premiums paid by the Executive for coverage under the Marriott Health Plan exceed (y) the monthly premiums the Executive would pay under the Company Health Plan, if the Executive were a participant in such Company Health Plan. The Company Group shall maintain a disability insurance policy or plan covering the Executive during the Employment Period.

(d) **Reimbursement of Business Expenses**. The REIT shall reimburse the Executive for all reasonable travel, entertainment and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement, upon presentation by the Executive of documentation, expense statements, vouchers, and/or such other supporting information as the REIT may reasonably request.

(e) **Initial Restricted Stock Grant at Closing of 144A Offering.** Upon the closing of the 144A Offering, the Executive shall be granted 225,000 shares of common stock of the REIT subject to the terms and restrictions as set forth in a restricted stock agreement executed by the REIT and the Executive as of the date hereof, which shares shall vest in three equal installments on each of the first, second and third anniversaries of the closing of the 144A Offering.

(f) **D&O Insurance Coverage**. During and for a period of at least three years after the Term, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the REIT on a basis no less favorable to him than the coverage provided current officers and directors.

5. **Termination**

(a) **Termination by the REIT for Cause**. The REIT may terminate the Executive's employment under this Agreement at any time for Cause, upon written notice by the REIT to the Executive. For purposes of this Agreement, "Cause" for termination shall mean a determination by the Board of Directors in good faith that any of the following events have occurred: (i) the conviction or indictment of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, any felony; (ii) fraud, misappropriation or embezzlement by the Executive; (iii) the Executive's willful failure or gross negligence in the performance of his assigned duties for the Company Group, which failure or gross negligence continues for more than 15 days following the Executive's receipt of written notice of such willful failure or gross negligence from the Board of Directors; (iv) any act or omission of the Executive that has a demonstrated and material adverse impact on the Company Group's reputation for honesty and fair dealing; (v) the breach by the Executive of his duties under this Agreement or any material term of this Agreement; or (vi) a material violation by Executive of the Company Group's employment policies which continues for more than 15 days following written notice of such violation from the Board of Directors.

(b) **Termination by the REIT without Cause or by the Executive without Good Reason**. Either party may terminate this Agreement at any time without Cause (in the case of the REIT) or without Good Reason (in the case of the Executive), upon giving the other party 60 days' written notice. At the Company's sole discretion, it may substitute 60 days' salary in lieu of notice. If either the REIT or the Executive provides the notice specified under Section 1 that such party does not wish to extend the Employment Period as provided therein, such action shall be deemed a notice of termination. Any salary paid to the Executive in lieu of notice shall not be offset against any entitlement the Executive may have to the Severance Payment pursuant to Section 6(c).

(c) **Termination by Executive for Good Reason**. The Executive may terminate his employment under this Agreement at any time for Good Reason, upon written notice by the Executive to the REIT. For purposes of this Agreement, "Good Reason" for termination shall mean that the Executive has complied with the "Good Reason Process" (hereafter defined) following the occurrence of one of the following events, without the Executive's consent: (i) the assignment to the Executive of substantial duties or responsibilities inconsistent with the Executive's position at the REIT, or any other action by the REIT which results in a substantial diminution or other substantive adverse change in the Executive's duties or responsibilities, including, but not limited to, a substantial diminution in the Executive's title as set forth in Section 2 hereof; (ii) the failure of the REIT or its affiliates to appoint, nominate or elect the Executive as the Chief Executive Officer or the failure of the REIT to nominate the Executive as a director of the REIT; (iii) a requirement that the Executive work principally from a location outside the 50 mile radius from the REIT's address first written above; (iv) the REIT's failure to pay the Executive any Base Salary or other compensation to which he becomes entitled, other than an inadvertent failure which is remedied by the REIT within 30 days after receipt of written notice thereof from the Executive (or ten days for failure to pay Base Salary); (v) the REIT's failure to honor the initial equity award granted pursuant to Section 4(e); (vi) any reduction in the Executive's aggregate Base Salary and any involuntary reduction in the Executive's other compensation taken as a whole, excluding any reductions caused by the failure to achieve performance targets; or (vii) the REIT's breach of any of its other obligations under this Agreement. "Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the REIT in writing of the occurrence of the Good Reason event; (iii) Executive cooperates in good faith with the REIT's efforts, for a period not less than 30 days following such notice, to modify Executive's employment situation in a manner acceptable to Executive and REIT; and (iv) notwithstanding such efforts, one or more of the Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the REIT cures the Good Reason event in a manner acceptable to Executive during the 30 day period, Good Reason shall be deemed not to have occurred.

(d) **Executive's Death or Disability**. The Executive's employment shall terminate immediately upon his death or, upon written notice as set forth below, his Disability. As used in this Agreement, "Disability" shall mean such physical or mental impairment as would render the Executive eligible to receive benefits under the long-term disability insurance policy or plan then made available by the Company Group to the Executive. If the Employment Period is terminated by reason of the Executive's Disability, either party shall give 30 days' advance written notice to that effect to the other.

(e) **Date of Termination**. "Date of Termination" shall mean: (A) if Executive's employment is terminated by his death, the date of his death; (B) if Executive's employment is terminated on account of disability under Section 5(d), 30 days after the date on which a notice of termination is given; (C) if Executive's employment is terminated by the Company for Cause under Section 5(a), the date on which notice of termination is given; (D) if Executive's employment is terminated under Section 5(b), 60 days after the date on which a notice of termination is given; and (E) if Executive's employment is terminated by Executive under Section 5(c), 30 days after the date on which a notice of Good Reason is given.

6. **Effect of Termination**

(a) **General**. Regardless of the reason for any termination of this Agreement, the Executive (or the Executive's estate if the Employment Period ends on account of the Executive's death) shall be entitled to: (i) any unpaid portion of his Base Salary through the Date of Termination; (ii) reimbursement for any outstanding reasonable business expense he has incurred in performing his duties hereunder; (iii) continued insurance benefits to the extent required by law; (iv) payment of any vested but unpaid rights as required independent of this Agreement by the terms of any bonus or other incentive pay or stock plan, or any other employee benefit plan or program of the REIT; and (v) except in the case of "Termination by the Company for Cause," any bonus or incentive compensation that was approved but not paid. The amount payable under this Section 6(a) shall be paid to the Executive or the Executive's estate (in the event of the Executive's death) in a single lump sum no later than 30 days after the Date of Termination.

(b) **Termination by the REIT for Cause or by Executive without Good Reason**. If the REIT terminates the Executive's employment for Cause or the Executive terminates his employment without Good Reason, the Executive shall have no rights or claims against the Company Group except to receive the payments and benefits described in Section 6(a). The REIT shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the REIT in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all vested but unexercised stock options held by Executive as of the Date of Termination must be exercised by Executive within three months following the Date of Termination or by the end of the option term, if earlier. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms.

(c) **Termination by the REIT without Cause or by Executive for Good Reason**. Except as provided in Section 6(d), if the REIT terminates the Executive's employment without Cause pursuant to Section 5(b), or the Executive terminates his employment for Good Reason pursuant to Section 5(c), the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) a lump sum payment equal to two times the sum of (x) the Executive's then current Base Salary and (y) the greater of (A) the average of the Executive's bonuses (taking into account a payment of no bonus or a payment of a bonus of $0) with respect to the preceding three fiscal years (or the period of the Executive's employment if shorter), (B) the Executive's bonus with respect to the preceding fiscal year and (C) in the event that such termination of employment occurs before the first anniversary of the Commencement Date, the Executive's annualized projected bonus for such year (the "Severance Payment"). The Severance Payment shall be paid to the Executive within 60 days following the Date of Termination;

(ii) continued payment by the REIT for life, health and disability insurance coverage for the Executive and the Executive's spouse and dependents for two years following the Date of Termination to the same extent that the REIT paid for such coverage immediately prior to the termination of the Executive's employment and subject to the eligibility requirements and other terms and conditions of such insurance coverage, provided that if any such insurance coverage shall become unavailable during the two year period, the REIT thereafter shall be obliged only to pay to the Executive an amount which, after reduction for income and employment taxes, is equal to the employer premiums for such insurance for the remainder of such severance period; and

(iii) vesting as of the Date of Termination in any unvested portion of any stock option, restricted stock and LTIP award previously issued to the Executive by the REIT. Each such stock option must be exercised by the Executive within 180 days after the Date of Termination or the date of the remaining option term, if earlier.

None of the benefits described in this Section 6(c) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(d) **Termination Following Change in Control**. If, (x) during the Employment Period and within 12 months following a Change in Control, the REIT (or its successor) terminates the Executive's employment without Cause pursuant to Section 5(b) or the Executive terminates his employment for Good Reason pursuant to Section 5(c), or (y) the Executive, by notice given under this clause (y) of this Section 6(d) during the 90 day period commencing on the three-month anniversary of the date of the Change in Control (the "Notice Period"), terminates his employment for any reason, which termination shall be effective on the last day of the Notice Period, the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) the items referenced in Section 6(c); and

(ii) Tax Gross-up Payment, as follows:

(A) In the event that any payment made pursuant to Section 6(c) hereof or any insurance benefits, accelerated vesting, pro-rated bonus or other benefit payable to the Executive (under this Agreement or otherwise), (1) constitute "parachute payments" within the meaning of Section 280G (as it may be amended or replaced) of the Internal Revenue Code of 1986, as amended (the "Code") ("Parachute Payments") and (2) are subject to the excise tax imposed by

Section 4999 (as it may be amended or replaced) of the Code (“the Excise Tax”), then the REIT shall pay to the Executive an additional amount (the “Gross-Up Amount”) such that the net benefits retained by the Executive after the deduction of the Excise Tax (including interest and penalties) and any federal, or local income and employment taxes (including interest and penalties) upon the Gross-Up Amount shall be equal to the benefits that would have been delivered hereunder had the Excise Tax not been applicable and the Gross-Up Amount not been paid.

(B) For purposes of determining the Gross-Up Amount: (1) Parachute Payments provided under arrangements with the Executive other than under any bonus or other incentive pay or stock plan or program of the REIT (collectively, the “Plan”) and this Agreement, if any, shall be taken into account in determining the total amount of Parachute Payments received by the Executive so that the amount of excess Parachute Payments that are attributable to provisions of the Plan and Agreement is maximized; and (2) the Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation for the Executive’s taxable year in which the Parachute Payments are includable in the Executive’s income for purposes of federal, state and local income taxation.

(C) The determination of whether the Excise Tax is payable, the amount thereof, and the amount of any Gross-Up Amount shall be made in writing in good faith by a nationally recognized independent certified public accounting firm selected by the REIT and approved by the Executive, such approval not to be unreasonably withheld (the “Accounting Firm”). If such determination is not finally accepted by the Internal Revenue Service (or state or local revenue authorities) on audit, then appropriate adjustments shall be computed based upon the amount of Excise Tax and any interest or penalties so determined; provided, however, that the Executive in no event shall owe the REIT any interest on any portion of the Gross-Up Amount that is returned to the REIT. For purposes of making the calculations required by this Section 6(d)(v), to the extent not otherwise specified herein, reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable, good faith interpretations of the Code may be relied upon. The REIT and the Executive shall furnish such information and documents as may be reasonably requested in connection with the performance of the calculations under this Section 6(d)(v). The REIT shall bear all costs incurred in connection with the performance of the calculations contemplated by this Section 6(d)(v). The REIT shall pay the Gross-Up Amount to the Executive no later than 60 days following receipt of the Accounting Firm's determination of the Gross-Up Amount.

(iii) None of the benefits described in this Section 6(d) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(iv) For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(A) The ownership or acquisition (whether by a merger contemplated by Section 6(d)(vii)(B) below, or otherwise) by any Person (other than a Qualified Affiliate), in a single transaction or a series of related or unrelated transactions, of Beneficial Ownership of more than 50% of (1) the REIT's outstanding common stock (the "Common Stock") or (2) the combined voting power of the REIT's outstanding securities entitled to vote generally in the election of directors (the "Outstanding Voting Securities");

(B) The merger or consolidation of the REIT with or into any other Person other than a Qualified Affiliate, if, immediately following the effectiveness of such merger or consolidation, Persons who did not Beneficially Own Outstanding Voting Securities immediately before the effectiveness of such merger or consolidation directly or indirectly Beneficially Own more than 50% of the outstanding shares of voting stock of the surviving entity of such merger or consolidation (including for such purpose in both the numerator and denominator, shares of voting stock issuable upon the exercise of then outstanding rights (including conversion rights), options or warrants) ("Resulting Voting Securities"), provided that, for purposes of this Section 6(d)(vii)(B), if a Person who Beneficially Owned Outstanding Voting Securities immediately before the merger or consolidation Beneficially Owns a greater number of the Resulting Voting Securities immediately after the merger or consolidation than the number the Person received solely as a result of the merger or consolidation, such greater number will be treated as held by a Person who did not Beneficially Own Outstanding Voting Securities before the merger or consolidation, and provided further that such merger or consolidation would also constitute a Change in Control if it would satisfy the foregoing test if rights (including conversion rights), options and warrants were not included in the calculation;

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

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

(E) A Change in Control shall also be deemed to occurred immediately before the completion of a tender offer for the REIT's securities representing more than 50% of the Outstanding Voting Securities, other than a tender offer by a Qualified Affiliate.

(F) For purposes of this Agreement, the following definitions shall apply: (a) "Beneficial Ownership," "Beneficially Owned" and "Beneficially Owns" shall have the meanings provided in Exchange Act Rule 13d-3; (b) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; (c) "Person" shall mean any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), including any natural person, corporation, trust, association, company, partnership, joint venture, limited liability company, legal entity of any kind, government, or political subdivision, agency or instrumentality of a government, as well as two or more Persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of the REIT's securities; and (d) "Qualified Affiliate" shall mean (i) any directly or indirectly wholly owned subsidiary of the REIT or the Company; (ii) any employee benefit plan (or related trust) sponsored or maintained by the REIT or the Company or by any entity controlled by the REIT or the Company; or (iii) any Person consisting in whole or in part of the Executive or one or more individuals who are then the REIT's Chief Executive Officer or any other named executive officer (as defined in Item 402 of Regulation S-K under the Securities Act of 1933) of the REIT as indicated in its most recent securities filing made before the date of the transaction.

(e) **Termination In the Event of Death or Disability**.

(i) If the Executive's employment terminates because of his death, any unvested portion of any stock option and any restricted stock previously issued to the Executive by the REIT shall become fully vested as of the date of his death and the Executive's estate or other legal representatives shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. In addition, the Executive's estate shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his death occurs. For a period of one (1) year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Executive's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the REIT's obligations hereunder.

(ii) In the event the Executive's employment terminates due to his Disability, he shall be entitled to receive his Base Salary until such date as he shall commence receiving disability benefits pursuant to any long-term disability insurance policy or plan provided to him by the REIT. In addition, as of the effective date of the termination notice specified in Section 5(d), the Executive shall vest in any unvested portion of any stock option and any restricted shares previously granted to him by the Company Group and the Executive shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. The Executive also shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his employment terminates due to his Disability. For a period of one year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive and Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. Upon termination due to death prior to the termination first to occur as specified in the preceding sentence, Section 6(e)(i) shall apply.

7. **Confidentiality**

(a) **Definition of Proprietary Information**. The Executive acknowledges that he may be furnished or may otherwise receive or have access to confidential information which relates to the Company Group's past, present or future business activities, strategies, services or products, research and development; financial analysis and data; improvements, inventions, processes, techniques, designs or other technical data; profit margins and other financial information; fee arrangements; terms and contents of leases, asset management agreements and other contracts; tenant and vendor lists or other compilations for marketing or development; confidential personnel and payroll information; or other information regarding administrative, management, financial, marketing, leasing or sales activities of the Company Group, or of a third party which provided proprietary information to the Company Group on a confidential basis. All such information, including any materials or documents containing such information, shall be considered by the Company Group and the Executive as proprietary and confidential (the "Proprietary Information").

(b) **Exclusions**. Notwithstanding the foregoing, Proprietary Information shall not include information in the public domain not as a result of a breach of any duty by the Executive or any other person.

(c) **Obligations**. Both during and after the Employment Period, the Executive agrees to preserve and protect the confidentiality of the Proprietary Information and all physical forms thereof, whether disclosed to him before this Agreement is signed or afterward (except as required by applicable law or otherwise as necessary in connection with the performance of the Executive's duties to the Company Group hereunder). In addition, the Executive shall not (i) disclose or disseminate the Proprietary Information to any third party, including employees of the Company Group (or their affiliates) without a legitimate business need to know; (ii) remove the Proprietary Information from the Company Group's premises without a valid business purpose; or (iii) use the Proprietary Information for his own benefit or for the benefit of any third party.

(d) **Return of Proprietary Information**. The Executive acknowledges and agrees that all the Proprietary Information used or generated during the course of working for the REIT is the property of the Company Group. The Executive agrees to deliver to the Company Group all documents and other tangibles (including diskettes and other storage media) containing the Proprietary Information at any time upon request by the Board of Directors during his employment and immediately upon termination of his employment.

8. **Noncompetition**

(a) **Restriction on Competition**. For the period of the Executive's employment with the REIT and for 12 months following the expiration or termination of the Executive's employment by the REIT (the "Restricted Period"), provided, however, that the Restricted Period shall only extend for six months following the expiration or termination of the Executive's employment if the Executive's employment is terminated following a Change in Control, the Executive agrees not to engage, directly or indirectly, as an owner, director, trustee, manager, member, employee, consultant, partner, principal, agent, representative, stockholder, or in any other individual, corporate or representative capacity, in any of the following: (i) any public or private lodging company, or (ii) any other business that the Company Group conducts as of the date of the Executive's termination of employment. Notwithstanding the foregoing, the Executive shall not be deemed to have violated this Section 8(a) solely by reason of his passive ownership of 1% or less of the outstanding stock of any publicly traded corporation or other entity.

(b) **Non-Solicitation of Clients**. During the Restricted Period, the Executive agrees not to solicit, directly or indirectly, on his own behalf or on behalf of any other person(s), any client of the Company Group whom the Company Group had provided services at any time during the Executive's employment with the REIT in any line of business that the Company Group conducts as of the date of the Executive's termination of employment or that the Company Group is actively soliciting, for the purpose of marketing or providing any service competitive with any service then offered by the Company Group.

(c) **Non-Solicitation of Employees**. During the Restricted Period, the Executive agrees that he will not, directly or indirectly, hire or attempt to hire or cause any business, other than an affiliate of the Company Group, to hire any person who is then or was at any time during the preceding six months an employee of the Company Group and who is at the time of such hire or attempted hire, or was at the date of such employee's separation from the Company Group a vice president, senior vice president or executive vice president or other senior executive employee of the Company Group.

(d) **Acknowledgement**. The Executive acknowledges that he will acquire much Proprietary Information concerning the past, present and future business of the Company Group as the result of his employment, as well as access to the relationships between the Company and the REIT and their clients and employees. The Executive further acknowledges that the business of the Company Group is very competitive and that competition by him in that business during his employment, or after his employment terminates, would severely injure the Company Group. The Executive understands and agrees that the restrictions contained in this

Section 8 are reasonable and are required for the Company Group's legitimate protection, and do not unduly limit his ability to earn a livelihood.

(e) **Rights and Remedies upon Breach**. The Executive acknowledges and agrees that any breach by him of any of the provisions of Sections 7 and 8 (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if the Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company Group shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company Group under law or in equity (including, without limitation, the recovery of damages):

(i) The right and remedy to have the Restrictive Covenants specifically enforced (without posting bond and without the need to prove damages) by any court of competent jurisdiction, including, without limitation, the right to an entry against the Executive of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants; and

(ii) The right and remedy to require the Executive to account for and pay over to the REIT and its affiliates all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the REIT and, if applicable, its affected affiliates.

(f) Without limiting Section 11(i), if any court or other decision-maker of competent jurisdiction determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

(g) The provisions of Section 8(a) shall not apply in the event that the Agreement is not renewed as provided in Section 1.

9. **Executive Representation**

The Executive represents and warrants to the Company Group that he is not now under any obligation of a contractual or other nature to any person, business or other entity which is inconsistent or in conflict with this Agreement or which would prevent him from performing his obligations under this Agreement.

10. **Enforcement and Indemnification**

(a) The REIT or the Company, in its sole discretion, may bring an action in any court of competent jurisdiction to seek injunctive relief and such other relief as the REIT or the Company shall elect to enforce the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of breadth of scope or otherwise it is the intention of the Company Group and the Executive that such determination not bar or in any way affect the Company Group's right, or the right of any of its affiliates, to the relief provided in Section 8(e) above in the courts of any other jurisdiction within the geographical scope of such Restrictive Covenants, as to breaches of such Restrictive Covenants in such other respective jurisdictions, such Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable, diverse and independent covenants, subject, where appropriate, to the doctrine of res judicata. The parties hereby agree to waive right to a trial by jury for any and all disputes hereunder (whether or not relating to the Restrictive Covenants).

(b) The REIT will indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the REIT or any subsidiary or affiliate of the REIT. The REIT agrees to pay to the Executive in advance of the final disposition of any proceeding all such amounts incurred or suffered.

11. **Miscellaneous**

(a) **Litigation and Regulatory Cooperation**. During and after Executive's employment, Executive shall reasonably cooperate with the REIT in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the REIT which relate to events or occurrences that transpired while Executive was employed by the REIT; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the REIT at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the REIT in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the REIT. The REIT shall also provide Executive with compensation on an hourly basis (to be derived from the sum of his Base Salary and average annual incentive compensation) for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Section 11(a), including, but not limited to, reasonable attorneys' fees and costs.

(b) **Notices**. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective (i) upon personal delivery, (ii) upon deposit with the

United States Postal Service, by registered or certified mail, postage prepaid, or (iii) in the case of facsimile transmission or delivery by nationally recognized overnight delivery service, when received, addressed as follows:

(i) If to the REIT, to:

DiamondRock Hospitality Company
10400 Fernwood Road
Bethesda, MD 20817
Facsimile: (301) 644-7945
Attn: General Counsel

(ii) If to the Executive, to:

William W. McCarten
2008 Roundhouse Road
Vienna, VA 22181

or to such other address or addresses as either party shall designate to the other in writing from time to time by like notice.

(c) **Pronouns**. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

(d) **Entire Agreement**. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

(e) **Amendment**. This Agreement may be amended or modified only by a written instrument executed by both the REIT and the Executive.

(f) **Governing Law**. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Maryland, without regard to its conflicts of laws principles.

(g) **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any entity with which or into which the REIT may be merged or which may succeed to its assets or business or any entity to which the REIT may assign its rights and obligations under this Agreement; provided, however, that the obligations of the Executive are personal and shall not be assigned or delegated by him.

(h) **Waiver**. No delays or omission by the REIT or the Executive in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the REIT or the Executive on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(i) **Captions**. The captions appearing in this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(j) **Severability**. In case any provision of this Agreement shall be held by a court or arbitrator with jurisdiction over the parties to this Agreement to be invalid, illegal or otherwise unenforceable, such provision shall be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law, and the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

(k) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

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

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ John L. Williams
Name: John L. Williams
Title: President and Chief Operating Officer

EXECUTIVE

/s/ William W. McCarten
William W. McCarten

Exhibit 10.11

John L. Williams

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made this 4th day of June 2004, by DiamondRock Hospitality Company, a Maryland corporation (the "REIT"), with its principal place of business at 10400 Fernwood Road, Bethesda, Maryland and John L. Williams, residing at 7013 Heatherhill Road, Bethesda, Maryland (the "Executive").

WHEREAS, the parties desire to enter into this agreement to reflect the Executive's executive capacities in the REIT's business and to provide for the REIT's employment of the Executive; and

WHEREAS, the parties wish to set forth the terms and conditions of that employment;

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. **Term of Employment**

The REIT hereby employs the Executive, and the Executive hereby accepts employment with the REIT, upon the terms and conditions set forth in this Agreement. Unless terminated earlier pursuant to Section 5, the Executive's employment pursuant to this Agreement shall be for the period commencing on the date hereof (the "Commencement Date") and ending on the second anniversary of the Commencement Date (the "Initial Term"). The Initial Term shall be extended for an additional 12 months at the end of the Initial Term unless the REIT or the Executive provides written notice to the contrary at least six months before such date. The Initial Term, together with any such extension, shall be referred to herein as the "Employment Period." In the event that the Board of Directors of the REIT (the "Board of Directors") determines that active efforts to complete the closing of the REIT's Rule 144A Offering (the "144A Offering") have been abandoned, this Agreement shall become null and void.

2. **Title; Duties**

During the Employment Period, the Executive shall be employed in the business of the REIT and its affiliates. The Executive shall serve as President and Chief Operating Officer and, if elected, a director of the REIT and, upon the reasonable request of the Board of Directors, as a director and/or officer of any of the REIT's affiliates, including DiamondRock Hospitality Limited Partnership (the "Company"). The Executive shall report to the Chief Executive Officer, who shall have the authority to direct, control and supervise the activities of the Executive. The Executive shall perform such services consistent with his position and as may be assigned to him from time to time by the Chief Executive Officer.

3. **Extent of Services**

The Executive agrees not to engage in any business activities during the Employment Period except those which are for the sole benefit of the REIT and the Company and their subsidiaries (the REIT and the Company are hereinafter referred to as the "Company Group"),

and to devote his entire business time, attention, skill and effort to the performance of his duties under this Agreement. Notwithstanding the foregoing, the Executive may, without impairing or otherwise adversely affecting the Executive's performance of his duties to the Company Group, (i) engage in personal investments and charitable, professional and civic activities, and (ii) with the prior approval of the Board of Directors, serve on the boards of directors of corporations other than the REIT, provided, however, that no such approval shall be necessary for the Executive's continued service on any board of directors on which he was serving on the date of this Agreement, all of which have been previously disclosed to the Board of Directors in writing and provided further, that in no event shall the Executive be permitted to serve on the board of directors of any other entity that owns, operates, acquires, sells, develops and/or manages any hotel or similar asset in the lodging industry.

4. **Compensation and Benefits**

(a) **Salary**. The REIT shall pay the Executive an initial gross base annual salary ("Base Salary") of $400,000. The Base Salary shall be payable (minus such deductions as may be required by law or reasonably requested by the Executive) in accordance with the REIT's regularly scheduled payroll dates but in no event less frequently than monthly. The REIT's Compensation Committee (the "Compensation Committee") shall review the Executive's Base Salary annually and may increase (but not decrease) the Executive's Base Salary as in effect from time to time as the Compensation Committee shall deem appropriate.

(b) **Incentive Compensation**. The Executive shall be entitled to receive an annual cash incentive bonus (the "Incentive Bonus") for each calendar year during the Term of this Agreement based on the level of accomplishment of management and performance objectives as established by the Compensation Committee. The Executive's initial maximum target Incentive Bonus shall be 100% of the Executive's Base Salary.

(c) **Paid Time Off and Other Benefits**. The Executive shall be entitled to paid time off for a minimum of 25 days each calendar year, which shall be accrued ratably during the calendar year, as well as holiday pay in accordance with the REIT's policies in effect from time to time. The Executive shall be eligible to participate in such life, health, and disability insurance, pension, deferred compensation and incentive plans, options and awards, performance bonuses and other benefits as the Company Group extends, as a matter of policy, to its executive employees, provided, however, that for so long as the Executive continues to participate in and be covered by a group health plan sponsored by Marriott International, Inc. (the "Marriott Health Plan"), rather than a group health plan sponsored by the Company Group and extended to its executive employees (the "Company Health Plan"), Executive shall be entitled to reimbursement on a monthly basis for the amount equal to the amount by which (x) the monthly premiums paid by the Executive for coverage under the Marriott Health Plan exceed (y) the monthly premiums the Executive would pay under the Company Health Plan, if the Executive were a participant in such Company Health Plan. The Company Group shall maintain a disability insurance policy or plan covering the Executive during the Employment Period.

(d) **Reimbursement of Business Expenses**. The REIT shall reimburse the Executive for all reasonable travel, entertainment and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement, upon presentation by the Executive of documentation, expense statements, vouchers, and/or such other supporting information as the REIT may reasonably request.

(e) **Initial Restricted Stock Grant at Closing of 144A Offering.** Upon the closing of the 144A Offering, the Executive shall be granted 210,000 shares of common stock of the REIT subject to the terms and restrictions as set forth in a restricted stock agreement executed by the REIT and the Executive as of the date hereof, which shares shall vest in three equal installments on each of the first, second and third anniversaries of the closing of the 144A Offering.

(f) **D&O Insurance Coverage**. During and for a period of at least three years after the Term, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the REIT on a basis no less favorable to him than the coverage provided current officers and directors.

5. **Termination**

(a) **Termination by the REIT for Cause**. The REIT may terminate the Executive's employment under this Agreement at any time for Cause, upon written notice by the REIT to the Executive. For purposes of this Agreement, "Cause" for termination shall mean a determination by the Board of Directors in good faith that any of the following events have occurred: (i) the conviction or indictment of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, any felony; (ii) fraud, misappropriation or embezzlement by the Executive; (iii) the Executive's willful failure or gross negligence in the performance of his assigned duties for the Company Group, which failure or gross negligence continues for more than 15 days following the Executive's receipt of written notice of such willful failure or gross negligence from the Board of Directors; (iv) any act or omission of the Executive that has a demonstrated and material adverse impact on the Company Group's reputation for honesty and fair dealing; (v) the breach by the Executive of his duties under this Agreement or any material term of this Agreement; or (vi) a material violation by Executive of the Company Group's employment policies which continues for more than 15 days following written notice of such violation from the Board of Directors.

(b) **Termination by the REIT without Cause or by the Executive without Good Reason**. Either party may terminate this Agreement at any time without Cause (in the case of the REIT) or without Good Reason (in the case of the Executive), upon giving the other party 60 days' written notice. At the Company's sole discretion, it may substitute 60 days' salary in lieu of notice. If either the REIT or the Executive provides the notice specified under Section 1 that such party does not wish to extend the Employment Period as provided therein, such action shall be deemed a notice of termination. Any salary paid to the Executive in lieu of notice shall not be offset against any entitlement the Executive may have to the Severance Payment pursuant to Section 6(c).

(c) **Termination by Executive for Good Reason**. The Executive may terminate his employment under this Agreement at any time for Good Reason, upon written notice by the Executive to the REIT. For purposes of this Agreement, "Good Reason" for termination shall mean that the Executive has complied with the “Good Reason Process” (hereafter defined) following the occurrence of one of the following events, without the Executive’s consent: (i) the assignment to the Executive of substantial duties or responsibilities inconsistent with the Executive’s position at the REIT, or any other action by the REIT which results in a substantial diminution or other substantive adverse change in the Executive’s duties or responsibilities, including, but not limited to, a substantial diminution in the Executive’s title as set forth in Section 2 hereof; (ii) the failure of the REIT or its affiliates to appoint, nominate or elect the Executive as the President and Chief Operating Officer or the failure of the REIT to nominate the Executive as a director of the REIT; (iii) a requirement that the Executive work principally from a location outside the 50 mile radius from the REIT’s address first written above; (iv) the REIT’s failure to pay the Executive any Base Salary or other compensation to which he becomes entitled, other than an inadvertent failure which is remedied by the REIT within 30 days after receipt of written notice thereof from the Executive (or ten days for failure to pay Base Salary); (v) the REIT’s failure to honor the initial equity award granted pursuant to Section 4(e); (vi) any reduction in the Executive’s aggregate Base Salary and any involuntary reduction in the Executive’s other compensation taken as a whole, excluding any reductions caused by the failure to achieve performance targets; or (vii) the REIT’s breach of any of its other obligations under this Agreement. “Good Reason Process” shall mean that (i) Executive reasonably determines in good faith that a “Good Reason” event has occurred; (ii) Executive notifies the REIT in writing of the occurrence of the Good Reason event; (iii) Executive cooperates in good faith with the REIT’s efforts, for a period not less than 30 days following such notice, to modify Executive’s employment situation in a manner acceptable to Executive and REIT; and (iv) notwithstanding such efforts, one or more of the Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the REIT cures the Good Reason event in a manner acceptable to Executive during the 30 day period, Good Reason shall be deemed not to have occurred.

(d) **Executive’s Death or Disability**. The Executive’s employment shall terminate immediately upon his death or, upon written notice as set forth below, his Disability. As used in this Agreement, “Disability” shall mean such physical or mental impairment as would render the Executive eligible to receive benefits under the long-term disability insurance policy or plan then made available by the Company Group to the Executive. If the Employment Period is terminated by reason of the Executive’s Disability, either party shall give 30 days’ advance written notice to that effect to the other.

(e) **Date of Termination**. “Date of Termination” shall mean: (A) if Executive’s employment is terminated by his death, the date of his death; (B) if Executive’s employment is terminated on account of disability under Section 5(d), 30 days after the date on which a notice of termination is given; (C) if Executive’s employment is terminated by the Company for Cause under Section 5(a), the date on which notice of termination is given; (D) if Executive’s employment is terminated under Section 5(b), 60 days after the date on which a notice of termination is given; and (E) if Executive’s employment is terminated by Executive under Section 5(c), 30 days after the date on which a notice of Good Reason is given.

6. **Effect of Termination**

(a) **General**. Regardless of the reason for any termination of this Agreement, the Executive (or the Executive's estate if the Employment Period ends on account of the Executive's death) shall be entitled to: (i) any unpaid portion of his Base Salary through the Date of Termination; (ii) reimbursement for any outstanding reasonable business expense he has incurred in performing his duties hereunder; (iii) continued insurance benefits to the extent required by law; (iv) payment of any vested but unpaid rights as required independent of this Agreement by the terms of any bonus or other incentive pay or stock plan, or any other employee benefit plan or program of the REIT; and (v) except in the case of "Termination by the Company for Cause," any bonus or incentive compensation that was approved but not paid. The amount payable under this Section 6(a) shall be paid to the Executive or the Executive's estate (in the event of the Executive's death) in a single lump sum no later than 30 days after the Date of Termination.

(b) **Termination by the REIT for Cause or by Executive without Good Reason**. If the REIT terminates the Executive's employment for Cause or the Executive terminates his employment without Good Reason, the Executive shall have no rights or claims against the Company Group except to receive the payments and benefits described in Section 6(a). The REIT shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the REIT in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all vested but unexercised stock options held by Executive as of the Date of Termination must be exercised by Executive within three months following the Date of Termination or by the end of the option term, if earlier. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms.

(c) **Termination by the REIT without Cause or by Executive for Good Reason**. Except as provided in Section 6(d), if the REIT terminates the Executive's employment without Cause pursuant to Section 5(b), or the Executive terminates his employment for Good Reason pursuant to Section 5(c), the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) a lump sum payment equal to 1.5 times the sum of (x) the Executive's then current Base Salary and (y) the greater of (A) the average of the Executive's bonuses (taking into account a payment of no bonus or a payment of a bonus of $0) with respect to the preceding three fiscal years (or the period of the Executive's employment if shorter), (B) the Executive's bonus with respect to the preceding fiscal year and (C) in the event that such termination of employment occurs before the first anniversary of the Commencement Date, the Executive's annualized projected bonus for such year (the "Severance Payment"). The Severance Payment shall be paid to the Executive within 60 days following the Date of Termination;

(ii) continued payment by the REIT for life, health and disability insurance coverage for the Executive and the Executive's spouse and dependents for eighteen months following the Date of Termination to the same extent that the REIT paid for such coverage immediately prior to the termination of the Executive's employment and subject to the eligibility requirements and other terms and conditions of such insurance coverage, provided that if any such insurance coverage shall become unavailable during the eighteen month period, the REIT thereafter shall be obliged only to pay to the Executive an amount which, after reduction for income and employment taxes, is equal to the employer premiums for such insurance for the remainder of such severance period; and

(iii) vesting as of the Date of Termination in any unvested portion of any stock option, restricted stock and LTIP award previously issued to the Executive by the REIT. Each such stock option must be exercised by the Executive within 180 days after the Date of Termination or the date of the remaining option term, if earlier.

None of the benefits described in this Section 6(c) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(d) **Termination Following Change in Control**. If, (x) during the Employment Period and within 12 months following a Change in Control, the REIT (or its successor) terminates the Executive's employment without Cause pursuant to Section 5(b) or the Executive terminates his employment for Good Reason pursuant to Section 5(c), or (y) the Executive, by notice given under this clause (y) of this Section 6(d) during the 90 day period commencing on the three-month anniversary of the date of the Change in Control (the "Notice Period"), terminates his employment for any reason, which termination shall be effective on the last day of the Notice Period, the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) the items referenced in Section 6(c); and

(ii) Tax Gross-up Payment, as follows:

(A) In the event that any payment made pursuant to Section 6(c) hereof or any insurance benefits, accelerated vesting, pro-rated bonus or other benefit payable to the Executive (under this Agreement or otherwise), (1) constitute "parachute payments" within the meaning of Section 280G (as it may be amended or replaced) of the Internal Revenue Code of 1986, as amended (the "Code") ("Parachute Payments") and (2) are subject to the excise tax imposed by

Section 4999 (as it may be amended or replaced) of the Code ("the Excise Tax"), then the REIT shall pay to the Executive an additional amount (the "Gross-Up Amount") such that the net benefits retained by the Executive after the deduction of the Excise Tax (including interest and penalties) and any federal, or local income and employment taxes (including interest and penalties) upon the Gross-Up Amount shall be equal to the benefits that would have been delivered hereunder had the Excise Tax not been applicable and the Gross-Up Amount not been paid.

(B) For purposes of determining the Gross-Up Amount: (1) Parachute Payments provided under arrangements with the Executive other than under any bonus or other incentive pay or stock plan or program of the REIT (collectively, the "Plan") and this Agreement, if any, shall be taken into account in determining the total amount of Parachute Payments received by the Executive so that the amount of excess Parachute Payments that are attributable to provisions of the Plan and Agreement is maximized; and (2) the Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation for the Executive's taxable year in which the Parachute Payments are includable in the Executive's income for purposes of federal, state and local income taxation.

(C) The determination of whether the Excise Tax is payable, the amount thereof, and the amount of any Gross-Up Amount shall be made in writing in good faith by a nationally recognized independent certified public accounting firm selected by the REIT and approved by the Executive, such approval not to be unreasonably withheld (the "Accounting Firm"). If such determination is not finally accepted by the Internal Revenue Service (or state or local revenue authorities) on audit, then appropriate adjustments shall be computed based upon the amount of Excise Tax and any interest or penalties so determined; provided, however, that the Executive in no event shall owe the REIT any interest on any portion of the Gross-Up Amount that is returned to the REIT**.** For purposes of making the calculations required by this Section 6(d)(v), to the extent not otherwise specified herein, reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable, good faith interpretations of the Code may be relied upon. The REIT and the Executive shall furnish such information and documents as may be reasonably requested in connection with the performance of the calculations under this Section 6(d)(v). The REIT shall bear all costs incurred in connection with the performance of the calculations contemplated by this Section 6(d)(v). The REIT shall pay the Gross-Up Amount to the Executive no later than 60 days following receipt of the Accounting Firm's determination of the Gross-Up Amount.

(iii) None of the benefits described in this Section 6(d) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(iv) For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(A) The ownership or acquisition (whether by a merger contemplated by Section 6(d)(vii)(B) below, or otherwise) by any Person (other than a Qualified Affiliate), in a single transaction or a series of related or unrelated transactions, of Beneficial Ownership of more than 50% of (1) the REIT's outstanding common stock (the "Common Stock") or (2) the combined voting power of the REIT's outstanding securities entitled to vote generally in the election of directors (the "Outstanding Voting Securities");

(B) The merger or consolidation of the REIT with or into any other Person other than a Qualified Affiliate, if, immediately following the effectiveness of such merger or consolidation, Persons who did not Beneficially Own Outstanding Voting Securities immediately before the effectiveness of such merger or consolidation directly or indirectly Beneficially Own more than 50% of the outstanding shares of voting stock of the surviving entity of such merger or consolidation (including for such purpose in both the numerator and denominator, shares of voting stock issuable upon the exercise of then outstanding rights (including conversion rights), options or warrants) ("Resulting Voting Securities"), provided that, for purposes of this Section 6(d)(vii)(B), if a Person who Beneficially Owned Outstanding Voting Securities immediately before the merger or consolidation Beneficially Owns a greater number of the Resulting Voting Securities immediately after the merger or consolidation than the number the Person received solely as a result of the merger or consolidation, such greater number will be treated as held by a Person who did not Beneficially Own Outstanding Voting Securities before the merger or consolidation, and provided further that such merger or consolidation would also constitute a Change in Control if it would satisfy the foregoing test if rights (including conversion rights), options and warrants were not included in the calculation;

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

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

(E) A Change in Control shall also be deemed to occurred immediately before the completion of a tender offer for the REIT's securities representing more than 50% of the Outstanding Voting Securities, other than a tender offer by a Qualified Affiliate.

(F) For purposes of this Agreement, the following definitions shall apply: (a) "Beneficial Ownership," "Beneficially Owned" and "Beneficially Owns" shall have the meanings provided in Exchange Act Rule 13d-3; (b) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; (c) "Person" shall mean any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), including any natural person, corporation, trust, association, company, partnership, joint venture, limited liability company, legal entity of any kind, government, or political subdivision, agency or instrumentality of a government, as well as two or more Persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of the REIT's securities; and (d) "Qualified Affiliate" shall mean (i) any directly or indirectly wholly owned subsidiary of the REIT or the Company; (ii) any employee benefit plan (or related trust) sponsored or maintained by the REIT or the Company or by any entity controlled by the REIT or the Company; or (iii) any Person consisting in whole or in part of the Executive or one or more individuals who are then the REIT's Chief Executive Officer or any other named executive officer (as defined in Item 402 of Regulation S-K under the Securities Act of 1933) of the REIT as indicated in its most recent securities filing made before the date of the transaction.

(e) **Termination In the Event of Death or Disability**.

(i) If the Executive's employment terminates because of his death, any unvested portion of any stock option and any restricted stock previously issued to the Executive by the REIT shall become fully vested as of the date of his death and the Executive's estate or other legal representatives shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. In addition, the Executive's estate shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his death occurs. For a period of one (1) year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Executive's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the REIT's obligations hereunder.

(ii) In the event the Executive's employment terminates due to his Disability, he shall be entitled to receive his Base Salary until such date as he shall commence receiving disability benefits pursuant to any long-term disability insurance policy or plan provided to him by the REIT. In addition, as of the effective date of the termination notice specified in Section 5(d), the Executive shall vest in any unvested portion of any stock option and any restricted shares previously granted to him by the Company Group and the Executive shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. The Executive also shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his employment terminates due to his Disability. For a period of one year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive and Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. Upon termination due to death prior to the termination first to occur as specified in the preceding sentence, Section 6(e)(i) shall apply.

7. **Confidentiality**

(a) **Definition of Proprietary Information**. The Executive acknowledges that he may be furnished or may otherwise receive or have access to confidential information which relates to the Company Group's past, present or future business activities, strategies, services or products, research and development; financial analysis and data; improvements, inventions, processes, techniques, designs or other technical data; profit margins and other financial information; fee arrangements; terms and contents of leases, asset management agreements and other contracts; tenant and vendor lists or other compilations for marketing or development; confidential personnel and payroll information; or other information regarding administrative, management, financial, marketing, leasing or sales activities of the Company Group, or of a third party which provided proprietary information to the Company Group on a confidential basis. All such information, including any materials or documents containing such information, shall be considered by the Company Group and the Executive as proprietary and confidential (the "Proprietary Information").

(b) **Exclusions**. Notwithstanding the foregoing, Proprietary Information shall not include information in the public domain not as a result of a breach of any duty by the Executive or any other person.

(c) **Obligations**. Both during and after the Employment Period, the Executive agrees to preserve and protect the confidentiality of the Proprietary Information and all physical forms thereof, whether disclosed to him before this Agreement is signed or afterward (except as required by applicable law or otherwise as necessary in connection with the performance of the Executive's duties to the Company Group hereunder). In addition, the Executive shall not (i) disclose or disseminate the Proprietary Information to any third party, including employees of the Company Group (or their affiliates) without a legitimate business need to know; (ii) remove the Proprietary Information from the Company Group's premises without a valid business purpose; or (iii) use the Proprietary Information for his own benefit or for the benefit of any third party.

(d) **Return of Proprietary Information**. The Executive acknowledges and agrees that all the Proprietary Information used or generated during the course of working for the REIT is the property of the Company Group. The Executive agrees to deliver to the Company Group all documents and other tangibles (including diskettes and other storage media) containing the Proprietary Information at any time upon request by the Board of Directors during his employment and immediately upon termination of his employment.

8. **Noncompetition**

(a) **Restriction on Competition**. For the period of the Executive's employment with the REIT and for 12 months following the expiration or termination of the Executive's employment by the REIT (the "Restricted Period"), provided, however, that the Restricted Period shall only extend for six months following the expiration or termination of the Executive's employment if the Executive's employment is terminated following a Change in Control, the Executive agrees not to engage, directly or indirectly, as an owner, director, trustee, manager, member, employee, consultant, partner, principal, agent, representative, stockholder, or in any other individual, corporate or representative capacity, in any of the following: (i) any public or private lodging company, or (ii) any other business that the Company Group conducts as of the date of the Executive's termination of employment. Notwithstanding the foregoing, the Executive shall not be deemed to have violated this Section 8(a) solely by reason of his passive ownership of 1% or less of the outstanding stock of any publicly traded corporation or other entity.

(b) **Non-Solicitation of Clients**. During the Restricted Period, the Executive agrees not to solicit, directly or indirectly, on his own behalf or on behalf of any other person(s), any client of the Company Group whom the Company Group had provided services at any time during the Executive's employment with the REIT in any line of business that the Company Group conducts as of the date of the Executive's termination of employment or that the Company Group is actively soliciting, for the purpose of marketing or providing any service competitive with any service then offered by the Company Group.

(c) **Non-Solicitation of Employees**. During the Restricted Period, the Executive agrees that he will not, directly or indirectly, hire or attempt to hire or cause any business, other than an affiliate of the Company Group, to hire any person who is then or was at any time during the preceding six months an employee of the Company Group and who is at the time of such hire or attempted hire, or was at the date of such employee's separation from the Company Group a vice president, senior vice president or executive vice president or other senior executive employee of the Company Group.

(d) **Acknowledgement**. The Executive acknowledges that he will acquire much Proprietary Information concerning the past, present and future business of the Company Group as the result of his employment, as well as access to the relationships between the Company and the REIT and their clients and employees. The Executive further acknowledges that the business of the Company Group is very competitive and that competition by him in that business during his employment, or after his employment terminates, would severely injure the Company Group. The Executive understands and agrees that the restrictions contained in this

Section 8 are reasonable and are required for the Company Group's legitimate protection, and do not unduly limit his ability to earn a livelihood.

(e) **Rights and Remedies upon Breach**. The Executive acknowledges and agrees that any breach by him of any of the provisions of Sections 7 and 8 (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if the Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company Group shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company Group under law or in equity (including, without limitation, the recovery of damages):

(i) The right and remedy to have the Restrictive Covenants specifically enforced (without posting bond and without the need to prove damages) by any court of competent jurisdiction, including, without limitation, the right to an entry against the Executive of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants; and

(ii) The right and remedy to require the Executive to account for and pay over to the REIT and its affiliates all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the REIT and, if applicable, its affected affiliates.

(f) Without limiting Section 11(i), if any court or other decision-maker of competent jurisdiction determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

(g) The provisions of Section 8(a) shall not apply in the event that the Agreement is not renewed as provided in Section 1.

9. **Executive Representation**

The Executive represents and warrants to the Company Group that he is not now under any obligation of a contractual or other nature to any person, business or other entity which is inconsistent or in conflict with this Agreement or which would prevent him from performing his obligations under this Agreement.

10. **Enforcement and Indemnification**

(a) The REIT or the Company, in its sole discretion, may bring an action in any court of competent jurisdiction to seek injunctive relief and such other relief as the REIT or the Company shall elect to enforce the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of breadth of scope or otherwise it is the intention of the Company Group and the Executive that such determination not bar or in any way affect the Company Group's right, or the right of any of its affiliates, to the relief provided in Section 8(e) above in the courts of any other jurisdiction within the geographical scope of such Restrictive Covenants, as to breaches of such Restrictive Covenants in such other respective jurisdictions, such Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable, diverse and independent covenants, subject, where appropriate, to the doctrine of res judicata. The parties hereby agree to waive right to a trial by jury for any and all disputes hereunder (whether or not relating to the Restrictive Covenants).

(b) The REIT will indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the REIT or any subsidiary or affiliate of the REIT. The REIT agrees to pay to the Executive in advance of the final disposition of any proceeding all such amounts incurred or suffered.

11. **Miscellaneous**

(a) **Litigation and Regulatory Cooperation**. During and after Executive's employment, Executive shall reasonably cooperate with the REIT in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the REIT which relate to events or occurrences that transpired while Executive was employed by the REIT; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the REIT at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the REIT in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the REIT. The REIT shall also provide Executive with compensation on an hourly basis (to be derived from the sum of his Base Salary and average annual incentive compensation) for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Section 11(a), including, but not limited to, reasonable attorneys' fees and costs.

(b) **Notices**. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective (i) upon personal delivery, (ii) upon deposit with the

United States Postal Service, by registered or certified mail, postage prepaid, or (iii) in the case of facsimile transmission or delivery by nationally recognized overnight delivery service, when received, addressed as follows:

(i) If to the REIT, to:

DiamondRock Hospitality Company
10400 Fernwood Road
Bethesda, MD 20817
Facsimile: (301) 644-7945
Attn: General Counsel

(ii) If to the Executive, to:

John L. Williams
7013 Heatherhill Road
Bethesda, MD 20817

or to such other address or addresses as either party shall designate to the other in writing from time to time by like notice.

(c) **Pronouns**. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

(d) **Entire Agreement**. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

(e) **Amendment**. This Agreement may be amended or modified only by a written instrument executed by both the REIT and the Executive.

(f) **Governing Law**. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Maryland, without regard to its conflicts of laws principles.

(g) **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any entity with which or into which the REIT may be merged or which may succeed to its assets or business or any entity to which the REIT may assign its rights and obligations under this Agreement; provided, however, that the obligations of the Executive are personal and shall not be assigned or delegated by him.

(h) **Waiver**. No delays or omission by the REIT or the Executive in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the REIT or the Executive on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(i) **Captions**. The captions appearing in this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(j) **Severability**. In case any provision of this Agreement shall be held by a court or arbitrator with jurisdiction over the parties to this Agreement to be invalid, illegal or otherwise unenforceable, such provision shall be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law, and the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

(k) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

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

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ William W. McCarten
Name: William W. McCarten
Title: Chairman and Chief Executive Officer

EXECUTIVE

/s/ John L. Williams
John L. Williams

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made this 4th day of June 2004, by DiamondRock Hospitality Company, a Maryland corporation (the "REIT"), with its principal place of business at 10400 Fernwood Road, Bethesda, Maryland and Mark W. Brugger, residing at 10813 Hob Nail Court, Potomac, Maryland (the "Executive").

WHEREAS, the parties desire to enter into this agreement to reflect the Executive's executive capacities in the REIT's business and to provide for the REIT's employment of the Executive; and

WHEREAS, the parties wish to set forth the terms and conditions of that employment;

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. **Term of Employment**

The REIT hereby employs the Executive, and the Executive hereby accepts employment with the REIT, upon the terms and conditions set forth in this Agreement. Unless terminated earlier pursuant to Section 5, the Executive's employment pursuant to this Agreement shall be for the period commencing on the date hereof (the "Commencement Date") and ending on the second anniversary of the Commencement Date (the "Initial Term"). The Initial Term shall be extended for an additional 12 months at the end of the Initial Term unless the REIT or the Executive provides written notice to the contrary at least six months before such date. The Initial Term, together with any such extension, shall be referred to herein as the "Employment Period." In the event that the Board of Directors of the REIT (the "Board of Directors") determines that active efforts to complete the closing of the REIT's Rule 144A Offering (the "144A Offering") have been abandoned, this Agreement shall become null and void.

2. **Title; Duties**

During the Employment Period, the Executive shall be employed in the business of the REIT and its affiliates. The Executive shall serve as Executive Vice President, Chief Financial Officer and Treasurer of the REIT and, upon the reasonable request of the Board of Directors, as a director and/or officer of any of the REIT's affiliates, including DiamondRock Hospitality Limited Partnership (the "Company"). The Executive shall report to the Chief Executive Officer, who shall have the authority to direct, control and supervise the activities of the Executive. The Executive shall perform such services consistent with his position and as may be assigned to him from time to time by the Chief Executive Officer.

3. **Extent of Services**

The Executive agrees not to engage in any business activities during the Employment Period except those which are for the sole benefit of the REIT and the Company and their subsidiaries (the REIT and the Company are hereinafter referred to as the "Company Group"),

and to devote his entire business time, attention, skill and effort to the performance of his duties under this Agreement. Notwithstanding the foregoing, the Executive may, without impairing or otherwise adversely affecting the Executive's performance of his duties to the Company Group, (i) engage in personal investments and charitable, professional and civic activities, and (ii) with the prior approval of the Board of Directors, serve on the boards of directors of corporations other than the REIT, provided, however, that no such approval shall be necessary for the Executive's continued service on any board of directors on which he was serving on the date of this Agreement, all of which have been previously disclosed to the Board of Directors in writing and provided further, that in no event shall the Executive be permitted to serve on the board of directors of any other entity that owns, operates, acquires, sells, develops and/or manages any hotel or similar asset in the lodging industry.

4. **Compensation and Benefits**

(a) **Salary**. The REIT shall pay the Executive an initial gross base annual salary ("Base Salary") of $235,000. The Base Salary shall be payable (minus such deductions as may be required by law or reasonably requested by the Executive) in accordance with the REIT's regularly scheduled payroll dates but in no event less frequently than monthly. The REIT's Compensation Committee (the "Compensation Committee") shall review the Executive's Base Salary annually and may increase (but not decrease) the Executive's Base Salary as in effect from time to time as the Compensation Committee shall deem appropriate.

(b) **Incentive Compensation**. The Executive shall be entitled to receive an annual cash incentive bonus (the "Incentive Bonus") for each calendar year during the Term of this Agreement based on the level of accomplishment of management and performance objectives as established by the Compensation Committee. The Executive's initial maximum target Incentive Bonus shall be 75% of the Executive's Base Salary.

(c) **Paid Time Off and Other Benefits**. The Executive shall be entitled to paid time off for a minimum of 25 days each calendar year, which shall be accrued ratably during the calendar year, as well as holiday pay in accordance with the REIT's policies in effect from time to time. The Executive shall be eligible to participate in such life, health, and disability insurance, pension, deferred compensation and incentive plans, options and awards, performance bonuses and other benefits as the Company Group extends, as a matter of policy, to its executive employees. The Company Group shall maintain a disability insurance policy or plan covering the Executive during the Employment Period.

(d) **Reimbursement of Business Expenses**. The REIT shall reimburse the Executive for all reasonable travel, entertainment and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement, upon presentation by the Executive of documentation, expense statements, vouchers, and/or such other supporting information as the REIT may reasonably request.

(e) **Initial Restricted Stock Grant at Closing of 144A Offering.** Upon the closing of the 144A Offering, the Executive shall be granted 165,000 shares of common stock of the REIT subject to the terms and restrictions as set forth in a restricted stock agreement executed by the REIT and the Executive as of the date hereof, which shares shall vest in three equal installments on each of the first, second and third anniversaries of the closing of the 144A Offering.

(f) **D&O Insurance Coverage**. During and for a period of at least three years after the Term, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the REIT on a basis no less favorable to him than the coverage provided current officers and directors.

5. **Termination**

(a) **Termination by the REIT for Cause**. The REIT may terminate the Executive's employment under this Agreement at any time for Cause, upon written notice by the REIT to the Executive. For purposes of this Agreement, "Cause" for termination shall mean a determination by the Board of Directors in good faith that any of the following events have occurred: (i) the conviction or indictment of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, any felony; (ii) fraud, misappropriation or embezzlement by the Executive; (iii) the Executive's willful failure or gross negligence in the performance of his assigned duties for the Company Group, which failure or gross negligence continues for more than 15 days following the Executive's receipt of written notice of such willful failure or gross negligence from the Board of Directors; (iv) any act or omission of the Executive that has a demonstrated and material adverse impact on the Company Group's reputation for honesty and fair dealing; (v) the breach by the Executive of his duties under this Agreement or any material term of this Agreement; or (vi) a material violation by Executive of the Company Group's employment policies which continues for more than 15 days following written notice of such violation from the Board of Directors.

(b) **Termination by the REIT without Cause or by the Executive without Good Reason**. Either party may terminate this Agreement at any time without Cause (in the case of the REIT) or without Good Reason (in the case of the Executive), upon giving the other party 60 days' written notice. At the Company's sole discretion, it may substitute 60 days' salary in lieu of notice. If either the REIT or the Executive provides the notice specified under Section 1 that such party does not wish to extend the Employment Period as provided therein, such action shall be deemed a notice of termination. Any salary paid to the Executive in lieu of notice shall not be offset against any entitlement the Executive may have to the Severance Payment pursuant to Section 6(c).

(c) **Termination by Executive for Good Reason**. The Executive may terminate his employment under this Agreement at any time for Good Reason, upon written notice by the Executive to the REIT. For purposes of this Agreement, "Good Reason" for termination shall mean that the Executive has complied with the "Good Reason Process" (hereafter defined) following the occurrence of one of the following events, without the Executive's consent: (i) the assignment to the Executive of substantial duties or responsibilities inconsistent with the Executive's position at the REIT, or any other action by the REIT which results in a substantial diminution or other substantive adverse change in the Executive's duties or responsibilities, including, but not limited to, a substantial diminution in the Executive's title as set forth in Section 2 hereof; (ii) the failure of the REIT or its affiliates to appoint, nominate or elect the Executive as the Executive Vice President, Chief Financial Officer and Treasurer; (iii) a requirement that the Executive work principally from a location outside the 50 mile radius from the REIT's address first written above; (iv) the REIT's failure to pay the Executive any Base Salary or other compensation to which he becomes entitled, other than an inadvertent failure which is remedied by the REIT within 30 days after receipt of written notice thereof from the Executive (or ten days for failure to pay Base Salary); (v) the REIT's failure to honor the initial equity award granted pursuant to Section 4(e); (vi) any reduction in the Executive's aggregate Base Salary and any involuntary reduction in the Executive's other compensation taken as a whole, excluding any reductions caused by the failure to achieve performance targets; or (vii) the REIT's breach of any of its other obligations under this Agreement. "Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the REIT in writing of the occurrence of the Good Reason event; (iii) Executive cooperates in good faith with the REIT's efforts, for a period not less than 30 days following such notice, to modify Executive's employment situation in a manner acceptable to Executive and REIT; and (iv) notwithstanding such efforts, one or more of the Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the REIT cures the Good Reason event in a manner acceptable to Executive during the 30 day period, Good Reason shall be deemed not to have occurred.

(d) **Executive's Death or Disability**. The Executive's employment shall terminate immediately upon his death or, upon written notice as set forth below, his Disability. As used in this Agreement, "Disability" shall mean such physical or mental impairment as would render the Executive eligible to receive benefits under the long-term disability insurance policy or plan then made available by the Company Group to the Executive. If the Employment Period is terminated by reason of the Executive's Disability, either party shall give 30 days' advance written notice to that effect to the other.

(e) **Date of Termination**. "Date of Termination" shall mean: (A) if Executive's employment is terminated by his death, the date of his death; (B) if Executive's employment is terminated on account of disability under Section 5(d), 30 days after the date on which a notice of termination is given; (C) if Executive's employment is terminated by the Company for Cause under Section 5(a), the date on which notice of termination is given; (D) if Executive's employment is terminated under Section 5(b), 60 days after the date on which a notice of termination is given; and (E) if Executive's employment is terminated by Executive under Section 5(c), 30 days after the date on which a notice of Good Reason is given.

6. **Effect of Termination**

(a) **General**. Regardless of the reason for any termination of this Agreement, the Executive (or the Executive's estate if the Employment Period ends on account of the Executive's death) shall be entitled to: (i) any unpaid portion of his Base Salary through the Date of Termination; (ii) reimbursement for any outstanding reasonable business expense he has incurred in performing his duties hereunder; (iii) continued insurance benefits to the extent required by law; (iv) payment of any vested but unpaid rights as required independent of this Agreement by the terms of any bonus or other incentive pay or stock plan, or any other employee benefit plan or program of the REIT; and (v) except in the case of "Termination by the Company for Cause," any bonus or incentive compensation that was approved but not paid. The amount payable under this Section 6(a) shall be paid to the Executive or the Executive's estate (in the event of the Executive's death) in a single lump sum no later than 30 days after the Date of Termination.

(b) **Termination by the REIT for Cause or by Executive without Good Reason**. If the REIT terminates the Executive's employment for Cause or the Executive terminates his employment without Good Reason, the Executive shall have no rights or claims against the Company Group except to receive the payments and benefits described in Section 6(a). The REIT shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the REIT in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all vested but unexercised stock options held by Executive as of the Date of Termination must be exercised by Executive within three months following the Date of Termination or by the end of the option term, if earlier. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms.

(c) **Termination by the REIT without Cause or by Executive for Good Reason**. Except as provided in Section 6(d), if the REIT terminates the Executive's employment without Cause pursuant to Section 5(b), or the Executive terminates his employment for Good Reason pursuant to Section 5(c), the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) a lump sum payment equal to one times the sum of (x) the Executive's then current Base Salary and (y) the greater of (A) the average of the Executive's bonuses (taking into account a payment of no bonus or a payment of a bonus of $0) with respect to the preceding three fiscal years (or the period of the Executive's employment if shorter), (B) the Executive's bonus with respect to the preceding fiscal year and (C) in the event that such termination of employment occurs before the first anniversary of the Commencement Date, the Executive's annualized projected bonus for such year (the "Severance Payment"). The Severance Payment shall be paid to the Executive within 60 days following the Date of Termination;

(ii) continued payment by the REIT for life, health and disability insurance coverage for the Executive and the Executive's spouse and dependents for one year following the Date of Termination to the same extent that the REIT paid for such coverage immediately prior to the termination of the Executive's employment and subject to the eligibility requirements and other terms and conditions of such insurance coverage, provided that if any such insurance coverage shall become unavailable during the one year period, the REIT thereafter shall be obliged only to pay to the Executive an amount which, after reduction for income and employment taxes, is equal to the employer premiums for such insurance for the remainder of such severance period; and

(iii) vesting as of the Date of Termination in any unvested portion of any stock option, restricted stock and LTIP award previously issued to the Executive by the REIT. Each such stock option must be exercised by the Executive within 180 days after the Date of Termination or the date of the remaining option term, if earlier.

None of the benefits described in this Section 6(c) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(d) **Termination Following Change in Control**. If, (x) during the Employment Period and within 12 months following a Change in Control, the REIT (or its successor) terminates the Executive's employment without Cause pursuant to Section 5(b) or the Executive terminates his employment for Good Reason pursuant to Section 5(c), or (y) the Executive, by notice given under this clause (y) of this Section 6(d) during the 90 day period commencing on the three-month anniversary of the date of the Change in Control (the "Notice Period"), terminates his employment for any reason, which termination shall be effective on the last day of the Notice Period, the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) the items referenced in Section 6(c); and

(ii) Tax Gross-up Payment, as follows:

(A) In the event that any payment made pursuant to Section 6(c) hereof or any insurance benefits, accelerated vesting, pro-rated bonus or other benefit payable to the Executive (under this Agreement or otherwise), (1) constitute "parachute payments" within the meaning of Section 280G (as it may be amended or replaced) of the Internal Revenue Code of 1986, as amended (the "Code") ("Parachute Payments") and (2) are subject to the excise tax imposed by Section 4999 (as it may be amended or replaced) of the Code ("the Excise Tax"), then the REIT shall pay to the Executive an additional amount (the "Gross-Up Amount") such that the net benefits retained by the Executive after the deduction of the Excise Tax (including interest and penalties) and any federal, or local income and employment taxes (including interest and penalties) upon the Gross-Up Amount shall be equal to the benefits that would have been delivered hereunder had the Excise Tax not been applicable and the Gross-Up Amount not been paid.

(B) For purposes of determining the Gross-Up Amount: (1) Parachute Payments provided under arrangements with the Executive other than under any bonus or other incentive pay or stock plan or program of the REIT (collectively, the "Plan") and this Agreement, if any, shall be taken into account in determining the total amount of Parachute Payments received by the Executive so that the amount of excess Parachute Payments that are attributable to provisions of the Plan and Agreement is maximized; and (2) the Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation for the Executive's taxable year in which the Parachute Payments are includable in the Executive's income for purposes of federal, state and local income taxation.

(C) The determination of whether the Excise Tax is payable, the amount thereof, and the amount of any Gross-Up Amount shall be made in writing in good faith by a nationally recognized independent certified public accounting firm selected by the REIT and approved by the Executive, such approval not to be unreasonably withheld (the "Accounting Firm"). If such determination is not finally accepted by the Internal Revenue Service (or state or local revenue authorities) on audit, then appropriate adjustments shall be computed based upon the amount of Excise Tax and any interest or penalties so determined; provided, however, that the Executive in no event shall owe the REIT any interest on any portion of the Gross-Up Amount that is returned to the REIT**.** For purposes of making the calculations required by this Section 6(d)(v), to the extent not otherwise specified herein, reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable, good faith interpretations of the Code may be relied upon. The REIT and the Executive shall furnish such information and documents as may be reasonably requested in connection with the performance of the calculations under this Section 6(d)(v). The REIT shall bear all costs incurred in connection with the performance of the calculations contemplated by this Section 6(d)(v). The REIT shall pay the Gross-Up Amount to the Executive no later than 60 days following receipt of the Accounting Firm's determination of the Gross-Up Amount.

(iii) None of the benefits described in this Section 6(d) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(iv) For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(A) The ownership or acquisition (whether by a merger contemplated by Section 6(d)(vii)(B) below, or otherwise) by any Person (other than a Qualified Affiliate), in a single transaction or a series of related or unrelated transactions, of Beneficial Ownership of more than 50% of (1) the REIT's outstanding common stock (the "Common Stock") or (2) the combined voting power of the REIT's outstanding securities entitled to vote generally in the election of directors (the "Outstanding Voting Securities");

(B) The merger or consolidation of the REIT with or into any other Person other than a Qualified Affiliate, if, immediately following the effectiveness of such merger or consolidation, Persons who did not Beneficially Own Outstanding Voting Securities immediately before the effectiveness of such merger or consolidation directly or indirectly Beneficially Own more than 50% of the outstanding shares of voting stock of the surviving entity of such merger or consolidation (including for such purpose in both the numerator and denominator, shares of voting stock issuable upon the exercise of then outstanding rights (including conversion rights), options or warrants) ("Resulting Voting Securities"), provided that, for purposes of this Section 6(d)(vii)(B), if a Person who Beneficially Owned Outstanding Voting Securities immediately before the merger or consolidation Beneficially Owns a greater number of the Resulting Voting Securities immediately after the merger or consolidation than the number the Person received solely as a result of the merger or consolidation, such greater number will be treated as held by a Person who did not Beneficially Own Outstanding Voting Securities before the merger or consolidation, and provided further that such merger or consolidation would also constitute a Change in Control if it would satisfy the foregoing test if rights (including conversion rights), options and warrants were not included in the calculation;

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

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

(E) A Change in Control shall also be deemed to occurred immediately before the completion of a tender offer for the REIT's securities representing more than 50% of the Outstanding Voting Securities, other than a tender offer by a Qualified Affiliate.

(F) For purposes of this Agreement, the following definitions shall apply: (a) "Beneficial Ownership," "Beneficially Owned" and "Beneficially Owns" shall have the meanings provided in Exchange Act Rule 13d-3; (b) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; (c) "Person" shall mean any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), including any natural person, corporation, trust, association, company, partnership, joint venture, limited liability company, legal entity of any kind, government, or political subdivision, agency or instrumentality of a government, as well as two or more Persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of the REIT's securities; and (d) "Qualified Affiliate" shall mean (i) any directly or indirectly wholly owned subsidiary of the REIT or the Company; (ii) any employee benefit plan (or related trust) sponsored or maintained by the REIT or the Company or by any entity controlled by the REIT or the Company; or

(iii) any Person consisting in whole or in part of the Executive or one or more individuals who are then the REIT's Chief Executive Officer or any other named executive officer (as defined in Item 402 of Regulation S-K under the Securities Act of 1933) of the REIT as indicated in its most recent securities filing made before the date of the transaction.

(e) **Termination In the Event of Death or Disability**.

(i) If the Executive's employment terminates because of his death, any unvested portion of any stock option and any restricted stock previously issued to the Executive by the REIT shall become fully vested as of the date of his death and the Executive's estate or other legal representatives shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. In addition, the Executive's estate shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his death occurs. For a period of one (1) year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Executive's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the REIT's obligations hereunder.

(ii) In the event the Executive's employment terminates due to his Disability, he shall be entitled to receive his Base Salary until such date as he shall commence receiving disability benefits pursuant to any long-term disability insurance policy or plan provided to him by the REIT. In addition, as of the effective date of the termination notice specified in Section 5(d), the Executive shall vest in any unvested portion of any stock option and any restricted shares previously granted to him by the Company Group and the Executive shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. The Executive also shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his employment terminates due to his Disability. For a period of one year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive and Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. Upon termination due to death prior to the termination first to occur as specified in the preceding sentence, Section 6(e)(i) shall apply.

7. **Confidentiality**

(a) **Definition of Proprietary Information**. The Executive acknowledges that he may be furnished or may otherwise receive or have access to confidential information which relates to the Company Group's past, present or future business activities, strategies, services or products, research and development; financial analysis and data; improvements, inventions, processes, techniques, designs or other technical data; profit margins and other financial information; fee arrangements; terms and contents of leases, asset management agreements and other contracts; tenant and vendor lists or other compilations for marketing or development; confidential personnel and payroll information; or other information regarding administrative, management, financial, marketing, leasing or sales activities of the Company Group, or of a third party which provided proprietary information to the Company Group on a confidential basis. All such information, including any materials or documents containing such information, shall be considered by the Company Group and the Executive as proprietary and confidential (the "Proprietary Information").

(b) **Exclusions**. Notwithstanding the foregoing, Proprietary Information shall not include information in the public domain not as a result of a breach of any duty by the Executive or any other person.

(c) **Obligations**. Both during and after the Employment Period, the Executive agrees to preserve and protect the confidentiality of the Proprietary Information and all physical forms thereof, whether disclosed to him before this Agreement is signed or afterward (except as required by applicable law or otherwise as necessary in connection with the performance of the Executive's duties to the Company Group hereunder). In addition, the Executive shall not (i) disclose or disseminate the Proprietary Information to any third party, including employees of the Company Group (or their affiliates) without a legitimate business need to know; (ii) remove the Proprietary Information from the Company Group's premises without a valid business purpose; or (iii) use the Proprietary Information for his own benefit or for the benefit of any third party.

(d) **Return of Proprietary Information**. The Executive acknowledges and agrees that all the Proprietary Information used or generated during the course of working for the REIT is the property of the Company Group. The Executive agrees to deliver to the Company Group all documents and other tangibles (including diskettes and other storage media) containing the Proprietary Information at any time upon request by the Board of Directors during his employment and immediately upon termination of his employment.

8. **Noncompetition**

(a) **Restriction on Competition**. For the period of the Executive's employment with the REIT and for 12 months following the expiration or termination of the Executive's employment by the REIT (the "Restricted Period"), provided, however, that the Restricted Period shall only extend for six months following the expiration or termination of the Executive's employment if the Executive's employment is terminated following a Change in Control, the Executive agrees not to engage, directly or indirectly, as an owner, director, trustee, manager, member, employee, consultant, partner, principal, agent, representative, stockholder, or in any other individual, corporate or representative capacity, in any of the following: (i) any public or private lodging company, or (ii) any other business that the Company Group conducts as of the date of the Executive's termination of employment. Notwithstanding the foregoing, the Executive shall not be deemed to have violated this Section 8(a) solely by reason of his passive ownership of 1% or less of the outstanding stock of any publicly traded corporation or other entity.

(b) **Non-Solicitation of Clients**. During the Restricted Period, the Executive agrees not to solicit, directly or indirectly, on his own behalf or on behalf of any other person(s), any client of the Company Group whom the Company Group had provided services at any time during the Executive's employment with the REIT in any line of business that the Company Group conducts as of the date of the Executive's termination of employment or that the Company Group is actively soliciting, for the purpose of marketing or providing any service competitive with any service then offered by the Company Group.

(c) **Non-Solicitation of Employees**. During the Restricted Period, the Executive agrees that he will not, directly or indirectly, hire or attempt to hire or cause any business, other than an affiliate of the Company Group, to hire any person who is then or was at any time during the preceding six months an employee of the Company Group and who is at the time of such hire or attempted hire, or was at the date of such employee's separation from the Company Group a vice president, senior vice president or executive vice president or other senior executive employee of the Company Group.

(d) **Acknowledgement**. The Executive acknowledges that he will acquire much Proprietary Information concerning the past, present and future business of the Company Group as the result of his employment, as well as access to the relationships between the Company and the REIT and their clients and employees. The Executive further acknowledges that the business of the Company Group is very competitive and that competition by him in that business during his employment, or after his employment terminates, would severely injure the Company Group. The Executive understands and agrees that the restrictions contained in this Section 8 are reasonable and are required for the Company Group's legitimate protection, and do not unduly limit his ability to earn a livelihood.

(e) **Rights and Remedies upon Breach**. The Executive acknowledges and agrees that any breach by him of any of the provisions of Sections 7 and 8 (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if the Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company Group shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company Group under law or in equity (including, without limitation, the recovery of damages):

(i) The right and remedy to have the Restrictive Covenants specifically enforced (without posting bond and without the need to prove damages) by any court of competent jurisdiction, including, without limitation, the right to an entry against the Executive of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants; and

(ii) The right and remedy to require the Executive to account for and pay over to the REIT and its affiliates all compensation, profits, monies, accruals, increments or other benefits (collectively, “Benefits”) derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the REIT and, if applicable, its affected affiliates.

(f) Without limiting Section 11(i), if any court or other decision-maker of competent jurisdiction determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

(g) The provisions of Section 8(a) shall not apply in the event that the Agreement is not renewed as provided in Section 1.

9. **Executive Representation**

The Executive represents and warrants to the Company Group that he is not now under any obligation of a contractual or other nature to any person, business or other entity which is inconsistent or in conflict with this Agreement or which would prevent him from performing his obligations under this Agreement.

10. **Enforcement and Indemnification**

(a) The REIT or the Company, in its sole discretion, may bring an action in any court of competent jurisdiction to seek injunctive relief and such other relief as the REIT or the Company shall elect to enforce the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of breadth of scope or otherwise it is the intention of the Company Group and the Executive that such determination not bar or in any way affect the Company Group’s right, or the right of any of its affiliates, to the relief provided in Section 8(e) above in the courts of any other jurisdiction within the geographical scope of such Restrictive Covenants, as to breaches of such Restrictive Covenants in such other respective jurisdictions, such Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable, diverse and independent covenants, subject, where appropriate, to the doctrine of res judicata. The parties hereby agree to waive right to a trial by jury for any and all disputes hereunder (whether or not relating to the Restrictive Covenants).

(b) The REIT will indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the REIT or any subsidiary or affiliate of the REIT. The REIT agrees to pay to the Executive in advance of the final disposition of any proceeding all such amounts incurred or suffered.

11. **Miscellaneous**

(a) **Litigation and Regulatory Cooperation**. During and after Executive's employment, Executive shall reasonably cooperate with the REIT in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the REIT which relate to events or occurrences that transpired while Executive was employed by the REIT; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the REIT at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the REIT in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the REIT. The REIT shall also provide Executive with compensation on an hourly basis (to be derived from the sum of his Base Salary and average annual incentive compensation) for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Section 11(a), including, but not limited to, reasonable attorneys' fees and costs.

(b) **Notices**. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective (i) upon personal delivery, (ii) upon deposit with the United States Postal Service, by registered or certified mail, postage prepaid, or (iii) in the case of facsimile transmission or delivery by nationally recognized overnight delivery service, when received, addressed as follows:

(i) If to the REIT, to:

DiamondRock Hospitality Company
10400 Fernwood Road
Bethesda, MD 20817
Facsimile: (301) 644-7945
Attn: General Counsel

(ii) If to the Executive, to:

Mark W. Brugger
10813 Hob Nail Court
Potomac, MD 20854

or to such other address or addresses as either party shall designate to the other in writing from time to time by like notice.

(c) **Pronouns**. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

(d) **Entire Agreement**. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

(e) **Amendment**. This Agreement may be amended or modified only by a written instrument executed by both the REIT and the Executive.

(f) **Governing Law**. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Maryland, without regard to its conflicts of laws principles.

(g) **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any entity with which or into which the REIT may be merged or which may succeed to its assets or business or any entity to which the REIT may assign its rights and obligations under this Agreement; provided, however, that the obligations of the Executive are personal and shall not be assigned or delegated by him.

(h) **Waiver**. No delays or omission by the REIT or the Executive in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the REIT or the Executive on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(i) **Captions**. The captions appearing in this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(j) **Severability**. In case any provision of this Agreement shall be held by a court or arbitrator with jurisdiction over the parties to this Agreement to be invalid, illegal or otherwise unenforceable, such provision shall be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law, and the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

(k) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

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

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ William W. McCarten
Name: William W. McCarten
Title: Chairman and Chief Executive Officer

EXECUTIVE

/s/ Mark W. Brugger
Mark W. Brugger

Exhibit 10.13

Michael D. Schecter

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made this 4th day of June 2004, by DiamondRock Hospitality Company, a Maryland corporation (the "REIT"), with its principal place of business at 10400 Fernwood Road, Bethesda, Maryland and Michael D. Schecter, residing at 920 Independence Avenue, S.E., Washington, D.C. (the "Executive").

WHEREAS, the parties desire to enter into this agreement to reflect the Executive's executive capacities in the REIT's business and to provide for the REIT's employment of the Executive; and

WHEREAS, the parties wish to set forth the terms and conditions of that employment;

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. **Term of Employment**

The REIT hereby employs the Executive, and the Executive hereby accepts employment with the REIT, upon the terms and conditions set forth in this Agreement. Unless terminated earlier pursuant to Section 5, the Executive's employment pursuant to this Agreement shall be for the period commencing on the date hereof (the "Commencement Date") and ending on the second anniversary of the Commencement Date (the "Initial Term"). The Initial Term shall be extended for an additional 12 months at the end of the Initial Term unless the REIT or the Executive provides written notice to the contrary at least six months before such date. The Initial Term, together with any such extension, shall be referred to herein as the "Employment Period." In the event that the Board of Directors of the REIT (the "Board of Directors") determines that active efforts to complete the closing of the REIT's Rule 144A Offering (the "144A Offering") have been abandoned, this Agreement shall become null and void.

2. **Title; Duties**

During the Employment Period, the Executive shall be employed in the business of the REIT and its affiliates. The Executive shall serve as General Counsel and Secretary of the REIT and, upon the reasonable request of the Board of Directors, as a director and/or officer of any of the REIT's affiliates, including DiamondRock Hospitality Limited Partnership (the "Company"). The Executive shall report to the Chief Executive Officer, who shall have the authority to direct, control and supervise the activities of the Executive. The Executive shall perform such services consistent with his position and as may be assigned to him from time to time by the Chief Executive Officer**.**

3. **Extent of Services**

The Executive agrees not to engage in any business activities during the Employment Period except those which are for the sole benefit of the REIT and the Company and their subsidiaries (the REIT and the Company are hereinafter referred to as the "Company Group"),

and to devote his entire business time, attention, skill and effort to the performance of his duties under this Agreement. Notwithstanding the foregoing, the Executive may, without impairing or otherwise adversely affecting the Executive's performance of his duties to the Company Group, (i) engage in personal investments and charitable, professional and civic activities, and (ii) with the prior approval of the Board of Directors, serve on the boards of directors of corporations other than the REIT, provided, however, that no such approval shall be necessary for the Executive's continued service on any board of directors on which he was serving on the date of this Agreement, all of which have been previously disclosed to the Board of Directors in writing and provided further, that in no event shall the Executive be permitted to serve on the board of directors of any other entity that owns, operates, acquires, sells, develops and/or manages any hotel or similar asset in the lodging industry.

4. **Compensation and Benefits**

(a) **Salary**. The REIT shall pay the Executive an initial gross base annual salary ("Base Salary") of $210,000. The Base Salary shall be payable (minus such deductions as may be required by law or reasonably requested by the Executive) in accordance with the REIT's regularly scheduled payroll dates but in no event less frequently than monthly. The REIT's Compensation Committee (the "Compensation Committee") shall review the Executive's Base Salary annually and may increase (but not decrease) the Executive's Base Salary as in effect from time to time as the Compensation Committee shall deem appropriate.

(b) **Incentive Compensation**. The Executive shall be entitled to receive an annual cash incentive bonus (the "Incentive Bonus") for each calendar year during the Term of this Agreement based on the level of accomplishment of management and performance objectives as established by the Compensation Committee. The Executive's initial maximum target Incentive Bonus shall be 75% of the Executive's Base Salary.

(c) **Paid Time Off and Other Benefits**. The Executive shall be entitled to paid time off for a minimum of 25 days each calendar year, which shall be accrued ratably during the calendar year, as well as holiday pay in accordance with the REIT's policies in effect from time to time. The Executive shall be eligible to participate in such life, health, and disability insurance, pension, deferred compensation and incentive plans, options and awards, performance bonuses and other benefits as the Company Group extends, as a matter of policy, to its executive employees. The Company Group shall maintain a disability insurance policy or plan covering the Executive during the Employment Period.

(d) **Reimbursement of Business Expenses**. The REIT shall reimburse the Executive for all reasonable travel, entertainment and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement, upon presentation by the Executive of documentation, expense statements, vouchers, and/or such other supporting information as the REIT may reasonably request.

(e) **Initial Restricted Stock Grant at Closing of 144A Offering**. Upon the closing of the 144A Offering, the Executive shall be granted 75,000 shares of common stock of the REIT subject to the terms and restrictions as set forth in a restricted stock agreement executed by the REIT and the Executive as of the date hereof, which shares shall vest in three equal installments on each of the first, second and third anniversaries of the closing of the 144A Offering.

(f) **D&O Insurance Coverage**. During and for a period of at least three years after the Term, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the REIT on a basis no less favorable to him than the coverage provided current officers and directors.

5. **Termination**

(a) **Termination by the REIT for Cause**. The REIT may terminate the Executive's employment under this Agreement at any time for Cause, upon written notice by the REIT to the Executive. For purposes of this Agreement, "Cause" for termination shall mean a determination by the Board of Directors in good faith that any of the following events have occurred: (i) the conviction or indictment of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, any felony; (ii) fraud, misappropriation or embezzlement by the Executive; (iii) the Executive's willful failure or gross negligence in the performance of his assigned duties for the Company Group, which failure or gross negligence continues for more than 15 days following the Executive's receipt of written notice of such willful failure or gross negligence from the Board of Directors; (iv) any act or omission of the Executive that has a demonstrated and material adverse impact on the Company Group's reputation for honesty and fair dealing; (v) the breach by the Executive of his duties under this Agreement or any material term of this Agreement; or (vi) a material violation by Executive of the Company Group's employment policies which continues for more than 15 days following written notice of such violation from the Board of Directors.

(b) **Termination by the REIT without Cause or by the Executive without Good Reason**. Either party may terminate this Agreement at any time without Cause (in the case of the REIT) or without Good Reason (in the case of the Executive), upon giving the other party 60 days' written notice. At the Company's sole discretion, it may substitute 60 days' salary in lieu of notice. If either the REIT or the Executive provides the notice specified under Section 1 that such party does not wish to extend the Employment Period as provided therein, such action shall be deemed a notice of termination. Any salary paid to the Executive in lieu of notice shall not be offset against any entitlement the Executive may have to the Severance Payment pursuant to Section 6(c).

(c) **Termination by Executive for Good Reason**. The Executive may terminate his employment under this Agreement at any time for Good Reason, upon written notice by the Executive to the REIT. For purposes of this Agreement, "Good Reason" for termination shall mean that the Executive has complied with the "Good Reason Process" (hereafter defined) following the occurrence of one of the following events, without the Executive's consent: (i) the assignment to the Executive of substantial duties or responsibilities inconsistent with the Executive's position at the REIT, or any other action by the REIT which results in a substantial diminution or other substantive adverse change in the Executive's duties or responsibilities, including, but not limited to, a substantial diminution in the Executive's title as set forth in Section 2 hereof; (ii) the failure of the REIT or its affiliates to appoint, nominate or elect the Executive as the General Counsel and Secretary; (iii) a requirement that the Executive work principally from a location outside the 50 mile radius from the REIT's address first written above; (iv) the REIT's failure to pay the Executive any Base Salary or other compensation to which he becomes entitled, other than an inadvertent failure which is remedied by the REIT within 30 days after receipt of written notice thereof from the Executive (or ten days for failure to pay Base Salary); (v) the REIT's failure to honor the initial equity award granted pursuant to Section 4(e); (vi) any reduction in the Executive's aggregate Base Salary and any involuntary reduction in the Executive's other compensation taken as a whole, excluding any reductions caused by the failure to achieve performance targets; or (vii) the REIT's breach of any of its other obligations under this Agreement. "Good Reason Process" shall mean that (i) Executive reasonably determines in good faith that a "Good Reason" event has occurred; (ii) Executive notifies the REIT in writing of the occurrence of the Good Reason event; (iii) Executive cooperates in good faith with the REIT's efforts, for a period not less than 30 days following such notice, to modify Executive's employment situation in a manner acceptable to Executive and REIT; and (iv) notwithstanding such efforts, one or more of the Good Reason events continues to exist and has not been modified in a manner acceptable to Executive. If the REIT cures the Good Reason event in a manner acceptable to Executive during the 30 day period, Good Reason shall be deemed not to have occurred.

(d) **Executive's Death or Disability**. The Executive's employment shall terminate immediately upon his death or, upon written notice as set forth below, his Disability. As used in this Agreement, "Disability" shall mean such physical or mental impairment as would render the Executive eligible to receive benefits under the long-term disability insurance policy or plan then made available by the Company Group to the Executive. If the Employment Period is terminated by reason of the Executive's Disability, either party shall give 30 days' advance written notice to that effect to the other.

(e) **Date of Termination**. "Date of Termination" shall mean: (A) if Executive's employment is terminated by his death, the date of his death; (B) if Executive's employment is terminated on account of disability under Section 5(d), 30 days after the date on which a notice of termination is given; (C) if Executive's employment is terminated by the Company for Cause under Section 5(a), the date on which notice of termination is given; (D) if Executive's employment is terminated under Section 5(b), 60 days after the date on which a notice of termination is given; and (E) if Executive's employment is terminated by Executive under Section 5(c), 30 days after the date on which a notice of Good Reason is given.

6. **Effect of Termination**

(a) **General**. Regardless of the reason for any termination of this Agreement, the Executive (or the Executive's estate if the Employment Period ends on account of the Executive's death) shall be entitled to: (i) any unpaid portion of his Base Salary through the Date of Termination; (ii) reimbursement for any outstanding reasonable business expense he has incurred in performing his duties hereunder; (iii) continued insurance benefits to the extent required by law; (iv) payment of any vested but unpaid rights as required independent of this Agreement by the terms of any bonus or other incentive pay or stock plan, or any other employee benefit plan or program of the REIT; and (v) except in the case of "Termination by the Company for Cause," any bonus or incentive compensation that was approved but not paid. The amount payable under this Section 6(a) shall be paid to the Executive or the Executive's estate (in the event of the Executive's death) in a single lump sum no later than 30 days after the Date of Termination.

(b) **Termination by the REIT for Cause or by Executive without Good Reason**. If the REIT terminates the Executive's employment for Cause or the Executive terminates his employment without Good Reason, the Executive shall have no rights or claims against the Company Group except to receive the payments and benefits described in Section 6(a). The REIT shall have no further obligations to Executive except as otherwise expressly provided under this Agreement, provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the REIT in which Executive, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. In addition, all vested but unexercised stock options held by Executive as of the Date of Termination must be exercised by Executive within three months following the Date of Termination or by the end of the option term, if earlier. All other stock-based grants and awards held by Executive shall vest or be canceled upon the Date of Termination in accordance with their terms.

(c) **Termination by the REIT without Cause or by Executive for Good Reason**. Except as provided in Section 6(d), if the REIT terminates the Executive's employment without Cause pursuant to Section 5(b), or the Executive terminates his employment for Good Reason pursuant to Section 5(c), the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) a lump sum payment equal to one times the sum of (x) the Executive's then current Base Salary and (y) the greater of (A) the average of the Executive's bonuses (taking into account a payment of no bonus or a payment of a bonus of $0) with respect to the preceding three fiscal years (or the period of the Executive's employment if shorter), (B) the Executive's bonus with respect to the preceding fiscal year and (C) in the event that such termination of employment occurs before the first anniversary of the Commencement Date, the Executive's annualized projected bonus for such year (the "Severance Payment"). The Severance Payment shall be paid to the Executive within 60 days following the Date of Termination;

(ii) continued payment by the REIT for life, health and disability insurance coverage for the Executive and the Executive's spouse and dependents for one year following the Date of Termination to the same extent that the REIT paid for such coverage immediately prior to the termination of the Executive's employment and subject to the eligibility requirements and other terms and conditions of such insurance coverage, provided that if any such insurance coverage shall become unavailable during the one year period, the REIT thereafter shall be obliged only to pay to the Executive an amount which, after reduction for income and employment taxes, is equal to the employer premiums for such insurance for the remainder of such severance period; and

(iii) vesting as of the Date of Termination in any unvested portion of any stock option, restricted stock and LTIP award previously issued to the Executive by the REIT. Each such stock option must be exercised by the Executive within 180 days after the Date of Termination or the date of the remaining option term, if earlier.

None of the benefits described in this Section 6(c) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(d) **Termination Following Change in Control**. If, (x) during the Employment Period and within 12 months following a Change in Control, the REIT (or its successor) terminates the Executive's employment without Cause pursuant to Section 5(b) or the Executive terminates his employment for Good Reason pursuant to Section 5(c), or (y) the Executive, by notice given under this clause (y) of this Section 6(d) during the 90 day period commencing on the three-month anniversary of the date of the Change in Control (the "Notice Period"), terminates his employment for any reason, which termination shall be effective on the last day of the Notice Period, the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a), the following:

(i) the items referenced in Section 6(c); and

(ii) Tax Gross-up Payment, as follows:

(A) In the event that any payment made pursuant to Section 6(c) hereof or any insurance benefits, accelerated vesting, pro-rated bonus or other benefit payable to the Executive (under this Agreement or otherwise), (1) constitute "parachute payments" within the meaning of Section 280G (as it may be amended or replaced) of the Internal Revenue Code of 1986, as amended (the "Code") ("Parachute Payments") and (2) are subject to the excise tax imposed by Section 4999 (as it may be amended or replaced) of the Code ("the Excise Tax"), then the REIT shall pay to the Executive an additional amount (the "Gross-Up Amount") such that the net benefits retained by the Executive after the deduction of the Excise Tax (including interest and penalties) and any federal, or local income and employment taxes (including interest and penalties) upon the Gross-Up Amount shall be equal to the benefits that would have been delivered hereunder had the Excise Tax not been applicable and the Gross-Up Amount not been paid.

(B) For purposes of determining the Gross-Up Amount: (1) Parachute Payments provided under arrangements with the Executive other than under any bonus or other incentive pay or stock plan or program of the REIT (collectively, the "Plan") and this Agreement, if any, shall be taken into account in determining the total amount of Parachute Payments received by the Executive so that the amount of excess Parachute Payments that are attributable to provisions of the Plan and Agreement is maximized; and (2) the Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation for the Executive's taxable year in which the Parachute Payments are includable in the Executive's income for purposes of federal, state and local income taxation.

(C) The determination of whether the Excise Tax is payable, the amount thereof, and the amount of any Gross-Up Amount shall be made in writing in good faith by a nationally recognized independent certified public accounting firm selected by the REIT and approved by the Executive, such approval not to be unreasonably withheld (the "Accounting Firm"). If such determination is not finally accepted by the Internal Revenue Service (or state or local revenue authorities) on audit, then appropriate adjustments shall be computed based upon the amount of Excise Tax and any interest or penalties so determined; provided, however, that the Executive in no event shall owe the REIT any interest on any portion of the Gross-Up Amount that is returned to the REIT. For purposes of making the calculations required by this Section 6(d)(v), to the extent not otherwise specified herein, reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable, good faith interpretations of the Code may be relied upon. The REIT and the Executive shall furnish such information and documents as may be reasonably requested in connection with the performance of the calculations under this Section 6(d)(v). The REIT shall bear all costs incurred in connection with the performance of the calculations contemplated by this Section 6(d)(v). The REIT shall pay the Gross-Up Amount to the Executive no later than 60 days following receipt of the Accounting Firm's determination of the Gross-Up Amount.

(iii) None of the benefits described in this Section 6(d) will be payable unless the Executive has signed a general release which has become irrevocable, satisfactory to the REIT in the reasonable exercise of its discretion, releasing the Company Group, its affiliates including the REIT, and their officers, directors and employees, from any and all claims or potential claims arising from or related to the Executive's employment or termination of employment.

(iv) For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(A) The ownership or acquisition (whether by a merger contemplated by Section 6(d)(vii)(B) below, or otherwise) by any Person (other than a Qualified Affiliate), in a single transaction or a series of related or unrelated transactions, of Beneficial Ownership of more than 50% of (1) the REIT's outstanding common stock (the "Common Stock") or (2) the combined voting power of the REIT's outstanding securities entitled to vote generally in the election of directors (the "Outstanding Voting Securities");

(B) The merger or consolidation of the REIT with or into any other Person other than a Qualified Affiliate, if, immediately following the effectiveness of such merger or consolidation, Persons who did not Beneficially Own Outstanding Voting Securities immediately before the effectiveness of such merger or consolidation directly or indirectly Beneficially Own more than 50% of the outstanding shares of voting stock of the surviving entity of such merger or consolidation (including for such purpose in both the numerator and denominator, shares of voting stock issuable upon the exercise of then outstanding rights (including conversion rights), options or warrants) ("Resulting Voting Securities"), provided that, for purposes of this Section 6(d)(vii)(B), if a Person who Beneficially Owned Outstanding Voting Securities immediately before the merger or consolidation Beneficially Owns a greater number of the Resulting Voting Securities immediately after the merger or consolidation than the number the Person received solely as a result of the merger or consolidation, such greater number will be treated as held by a Person who did not Beneficially Own Outstanding Voting Securities before the merger or consolidation, and provided further that such merger or consolidation would also constitute a Change in Control if it would satisfy the foregoing test if rights (including conversion rights), options and warrants were not included in the calculation;

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

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

(E) A Change in Control shall also be deemed to occurred immediately before the completion of a tender offer for the REIT's securities representing more than 50% of the Outstanding Voting Securities, other than a tender offer by a Qualified Affiliate.

(F) For purposes of this Agreement, the following definitions shall apply: (a) "Beneficial Ownership," "Beneficially Owned" and "Beneficially Owns" shall have the meanings provided in Exchange Act Rule 13d-3; (b) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; (c) "Person" shall mean any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), including any natural person, corporation, trust, association, company, partnership, joint venture, limited liability company, legal entity of any kind, government, or political subdivision, agency or instrumentality of a government, as well as two or more Persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of the REIT's securities; and (d) "Qualified Affiliate" shall mean (i) any directly or indirectly wholly owned subsidiary of the REIT or the Company; (ii) any employee benefit plan (or related trust) sponsored or maintained by the REIT or the Company or by any entity controlled by the REIT or the Company; or

(iii) any Person consisting in whole or in part of the Executive or one or more individuals who are then the REIT's Chief Executive Officer or any other named executive officer (as defined in Item 402 of Regulation S-K under the Securities Act of 1933) of the REIT as indicated in its most recent securities filing made before the date of the transaction.

(e) **Termination In the Event of Death or Disability**.

(i) If the Executive's employment terminates because of his death, any unvested portion of any stock option and any restricted stock previously issued to the Executive by the REIT shall become fully vested as of the date of his death and the Executive's estate or other legal representatives shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. In addition, the Executive's estate shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his death occurs. For a period of one (1) year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Executive's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the REIT's obligations hereunder.

(ii) In the event the Executive's employment terminates due to his Disability, he shall be entitled to receive his Base Salary until such date as he shall commence receiving disability benefits pursuant to any long-term disability insurance policy or plan provided to him by the REIT. In addition, as of the effective date of the termination notice specified in Section 5(d), the Executive shall vest in any unvested portion of any stock option and any restricted shares previously granted to him by the Company Group and the Executive shall have 360 days from the Date of Termination or the remaining option term, if earlier, to exercise all stock options granted to the Executive. The Executive also shall be entitled to receive a pro-rata share of any performance bonus to which he otherwise would have been entitled for the fiscal year in which his employment terminates due to his Disability. For a period of one year following the Date of Termination, the REIT shall pay such health insurance premiums as may be necessary to allow Executive and Executive's spouse and dependents to receive health insurance coverage substantially similar to coverage they received prior to the Date of Termination. Upon termination due to death prior to the termination first to occur as specified in the preceding sentence, Section 6(e)(i) shall apply.

7. **Confidentiality**

(a) **Definition of Proprietary Information**. The Executive acknowledges that he may be furnished or may otherwise receive or have access to confidential information which relates to the Company Group's past, present or future business activities, strategies, services or products, research and development; financial analysis and data; improvements, inventions, processes, techniques, designs or other technical data; profit margins and other financial information; fee arrangements; terms and contents of leases, asset management agreements and other contracts; tenant and vendor lists or other compilations for marketing or development; confidential personnel and payroll information; or other information regarding administrative, management, financial, marketing, leasing or sales activities of the Company Group, or of a third party which provided proprietary information to the Company Group on a confidential basis. All such information, including any materials or documents containing such information, shall be considered by the Company Group and the Executive as proprietary and confidential (the "Proprietary Information").

(b) **Exclusions**. Notwithstanding the foregoing, Proprietary Information shall not include information in the public domain not as a result of a breach of any duty by the Executive or any other person.

(c) **Obligations**. Both during and after the Employment Period, the Executive agrees to preserve and protect the confidentiality of the Proprietary Information and all physical forms thereof, whether disclosed to him before this Agreement is signed or afterward (except as required by applicable law or otherwise as necessary in connection with the performance of the Executive's duties to the Company Group hereunder). In addition, the Executive shall not (i) disclose or disseminate the Proprietary Information to any third party, including employees of the Company Group (or their affiliates) without a legitimate business need to know; (ii) remove the Proprietary Information from the Company Group's premises without a valid business purpose; or (iii) use the Proprietary Information for his own benefit or for the benefit of any third party.

(d) **Return of Proprietary Information**. The Executive acknowledges and agrees that all the Proprietary Information used or generated during the course of working for the REIT is the property of the Company Group. The Executive agrees to deliver to the Company Group all documents and other tangibles (including diskettes and other storage media) containing the Proprietary Information at any time upon request by the Board of Directors during his employment and immediately upon termination of his employment.

8. **Noncompetition**

(a) **Restriction on Competition**. For the period of the Executive's employment with the REIT and for 12 months following the expiration or termination of the Executive's employment by the REIT (the "Restricted Period"), provided, however, that the Restricted Period shall only extend for six months following the expiration or termination of the Executive's employment if the Executive's employment is terminated following a Change in Control, the Executive agrees not to engage, directly or indirectly, as an owner, director, trustee, manager, member, employee, consultant, partner, principal, agent, representative, stockholder, or in any other individual, corporate or representative capacity, in any of the following: (i) any public or private lodging company, or (ii) any other business that the Company Group conducts as of the date of the Executive's termination of employment. Notwithstanding the foregoing, the Executive shall not be deemed to have violated this Section 8(a) solely by reason of his passive ownership of 1% or less of the outstanding stock of any publicly traded corporation or other entity.

(b) **Non-Solicitation of Clients**. During the Restricted Period, the Executive agrees not to solicit, directly or indirectly, on his own behalf or on behalf of any other person(s), any client of the Company Group whom the Company Group had provided services at any time during the Executive's employment with the REIT in any line of business that the Company Group conducts as of the date of the Executive's termination of employment or that the Company Group is actively soliciting, for the purpose of marketing or providing any service competitive with any service then offered by the Company Group.

(c) **Non-Solicitation of Employees**. During the Restricted Period, the Executive agrees that he will not, directly or indirectly, hire or attempt to hire or cause any business, other than an affiliate of the Company Group, to hire any person who is then or was at any time during the preceding six months an employee of the Company Group and who is at the time of such hire or attempted hire, or was at the date of such employee's separation from the Company Group a vice president, senior vice president or executive vice president or other senior executive employee of the Company Group.

(d) **Acknowledgement**. The Executive acknowledges that he will acquire much Proprietary Information concerning the past, present and future business of the Company Group as the result of his employment, as well as access to the relationships between the Company and the REIT and their clients and employees. The Executive further acknowledges that the business of the Company Group is very competitive and that competition by him in that business during his employment, or after his employment terminates, would severely injure the Company Group. The Executive understands and agrees that the restrictions contained in this Section 8 are reasonable and are required for the Company Group's legitimate protection, and do not unduly limit his ability to earn a livelihood.

(e) **Rights and Remedies upon Breach**. The Executive acknowledges and agrees that any breach by him of any of the provisions of Sections 7 and 8 (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if the Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company Group shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company Group under law or in equity (including, without limitation, the recovery of damages):

(i) The right and remedy to have the Restrictive Covenants specifically enforced (without posting bond and without the need to prove damages) by any court of competent jurisdiction, including, without limitation, the right to an entry against the Executive of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants; and

(ii) The right and remedy to require the Executive to account for and pay over to the REIT and its affiliates all compensation, profits, monies, accruals, increments or other benefits (collectively, “Benefits”) derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the REIT and, if applicable, its affected affiliates.

(f) Without limiting Section 11(i), if any court or other decision-maker of competent jurisdiction determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

(g) The provisions of Section 8(a) shall not apply in the event that the Agreement is not renewed as provided in Section 1.

9. **Executive Representation**

The Executive represents and warrants to the Company Group that he is not now under any obligation of a contractual or other nature to any person, business or other entity which is inconsistent or in conflict with this Agreement or which would prevent him from performing his obligations under this Agreement.

10. **Enforcement and Indemnification**

(a) The REIT or the Company, in its sole discretion, may bring an action in any court of competent jurisdiction to seek injunctive relief and such other relief as the REIT or the Company shall elect to enforce the Restrictive Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of breadth of scope or otherwise it is the intention of the Company Group and the Executive that such determination not bar or in any way affect the Company Group’s right, or the right of any of its affiliates, to the relief provided in Section 8(e) above in the courts of any other jurisdiction within the geographical scope of such Restrictive Covenants, as to breaches of such Restrictive Covenants in such other respective jurisdictions, such Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable, diverse and independent covenants, subject, where appropriate, to the doctrine of res judicata. The parties hereby agree to waive right to a trial by jury for any and all disputes hereunder (whether or not relating to the Restrictive Covenants).

(b) The REIT will indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the REIT or any subsidiary or affiliate of the REIT. The REIT agrees to pay to the Executive in advance of the final disposition of any proceeding all such amounts incurred or suffered.

11. **Miscellaneous**

(a) **Litigation and Regulatory Cooperation**. During and after Executive's employment, Executive shall reasonably cooperate with the REIT in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the REIT which relate to events or occurrences that transpired while Executive was employed by the REIT; provided, however, that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the REIT at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the REIT in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the REIT. The REIT shall also provide Executive with compensation on an hourly basis (to be derived from the sum of his Base Salary and average annual incentive compensation) for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Section 11(a), including, but not limited to, reasonable attorneys' fees and costs.

(b) **Notices**. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective (i) upon personal delivery, (ii) upon deposit with the United States Postal Service, by registered or certified mail, postage prepaid, or (iii) in the case of facsimile transmission or delivery by nationally recognized overnight delivery service, when received, addressed as follows:

(i) If to the REIT, to:

DiamondRock Hospitality Company
10400 Fernwood Road
Bethesda, MD 20817
Facsimile: (301) 644-7945
Attn: President

(ii) If to the Executive, to:

Michael D. Schecter
920 Independence Avenue, S.E.
Washington, D.C. 20003

or to such other address or addresses as either party shall designate to the other in writing from time to time by like notice.

(c) **Pronouns**. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

(d) **Entire Agreement**. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

(e) **Amendment**. This Agreement may be amended or modified only by a written instrument executed by both the REIT and the Executive.

(f) **Governing Law**. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Maryland, without regard to its conflicts of laws principles.

(g) **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any entity with which or into which the REIT may be merged or which may succeed to its assets or business or any entity to which the REIT may assign its rights and obligations under this Agreement; provided, however, that the obligations of the Executive are personal and shall not be assigned or delegated by him.

(h) **Waiver**. No delays or omission by the REIT or the Executive in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the REIT or the Executive on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(i) **Captions**. The captions appearing in this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(j) **Severability**. In case any provision of this Agreement shall be held by a court or arbitrator with jurisdiction over the parties to this Agreement to be invalid, illegal or otherwise unenforceable, such provision shall be restated to reflect as nearly as possible the original intentions of the parties in accordance with applicable law, and the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

(k) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

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

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ William W. McCarten
Name: William W. McCarten
Title: Chairman and Chief Executive Officer

EXECUTIVE

/s/ Michael D. Schecter
Michael D. Schecter

Exhibit 10.14

DiamondRock Hospitality Company
10400 Fernwood Road, Suite 300
Bethesda, Maryland 20817
(301) 380-3936

June 30, 2004

Sean Mahoney
3170 Kincross Circle
Oak Hill, Virginia 20171

Dear Sean:

DiamondRock Hospitality Company is pleased to confirm our offer of employment for you to join DiamondRock as our Controller and Chief Accounting Officer. We would be happy to discuss the particular responsibilities of the position. You would report to the Chief Financial Officer, and we would like you to start by the end of July 2004.

The compensation and benefits that we are able to offer you are as follows:

Your salary will be $140,000 per year.

You will be eligible to participate in the management incentive plan that currently provides for a cash bonus of up to thirty-five percent (35%) of your eligible fiscal year base salary earnings (in other words, it will be pro-rated in 2004). You must be employed on the last day of the fiscal year to participate in the bonus program for that year.

You will receive a one-time payment of $30,000, less applicable withholding taxes. This payment will be processed during your first pay cycle. In the event you voluntarily terminate your employment within twenty-four (24) months of your start date, you will be responsible to reimburse DiamondRock for the full amount of this sign-on bonus.

As a special one-time hire award, you will receive a grant of restricted stock having a value of $150,000, subject to the approval of the next Compensation Policy Committee. The stock units will vest and be distributed with respect to thirty-three percent (33%) of the award on or around each of the first three anniversaries of the date of the grant.

You will receive the protections on change in control set forth in Annex A of this letter.

In this position, you will earn twenty-five days of Paid Time Off (PTO) per year; you may use your PTO days either for vacation or for a sick day.

You will be eligible to participate in DiamondRock's medical and dental benefits. If you enroll within thirty (30) days of the date you start work, your coverage will be effective on the Saturday following your 30th day of employment; otherwise, you generally must wait until the company's annual enrollment period to enroll and benefits would not be available until the following plan year. Currently, DiamondRock intends to pay 100% of the premium for the medical and dental plan; but DiamondRock retains the right to, at any time, change the amount that it pays towards the premium. Should you pay any premium for COBRA to your prior employer while employed by DiamondRock, DiamondRock will reimburse you in full.

As you know, in the ordinary course of business, compensation and benefit programs evolve as business needs and laws change. To the extent it becomes necessary and desirable to change any of the plans in which you may participate, such changes will apply to you as they do other associates.

This letter constitutes the full commitments that have been extended to you. However, this does not constitute a contract of employment for any period of time.

DiamondRock has established a Social Security Verification procedure for verifying Social Security numbers in order to prevent discrepancies and mismatches between the information in DiamondRock's payroll records and the information on file with the Social Security Administration (SSA). As part of your new hire paperwork, you will be required to complete Section 1 of the Record of Social Security Administration Verification form which includes your name, Social Security number, date of birth and gender. This information will be verified with records at the SSA.

Under the Immigration Reform and Control Act, DiamondRock must verify your eligibility for employment in the United States. On your first day of work you will be expected to present one or more of the documents listed on the enclosed U.S. Department of Justice form and to complete a Government Form I-9. This information will be used to verify your eligibility for employment and to preclude the unlawful hiring of individuals who are not authorized to work in the U.S.

On behalf of everyone at DiamondRock, I want to express our enthusiasm to have you aboard.

Sincerely,

/s/ Mark W. Brugger
Mark W. Brugger
Chief Financial Officer

CC: William McCarten
Michael Schecter
John Williams

I accept the above offer to be employed by DiamondRock Hospitality Company and I understand and agree to the terms set forth.

Signed: /s/ Sean M. Mahoney

Date: July 1, 2004

Social Security Number: ______________

Date of Birth: ______________________

Annex A

Protections on Change in Control

If, within 12 months following a Change in Control (as defined below), DiamondRock (or its successor) terminates the Executive's employment without cause, or you during the 90 day period commencing on the six-month anniversary of the date of the Change in Control (the "Notice Period"), terminate your employment for any reason, which termination shall be effective on the last day of the Notice Period, you shall be entitled to receive, the following:

(i) a lump sum payment equal to the sum of (x) your then current base salary and (y) the greater of (A) the average of all bonuses paid to you (taking into account a payment of no bonus or a payment of a bonus of $0) over the preceding 36 months (or the period of your employment if shorter), (B) the most recent bonus paid to the Executive and (C) in the event that such termination of employment occurs before the first anniversary of the Commencement Date, the Executive's annualized projected bonus for such year (the "Severance Payment"). The Severance Payment shall be paid to the Executive within 60 days following the date of termination.

(ii) continued payment by DiamondRock for life, health and disability insurance coverage for you and your spouse and dependents for twelve months following the date of termination to the same extent that DiamondRock paid for such coverage immediately prior to the termination of your employment and subject to the eligibility requirements and other terms and conditions of such insurance coverage, provided that if any such insurance coverage shall become unavailable during the twelve month period, DiamondRock thereafter shall be obliged only to pay to you an amount which, after reduction for income and employment taxes, is equal to the employer premiums for such insurance for the remainder of such severance period;

(iii) vesting as of the date of termination in any unvested portion of any stock option, restricted stock or LTIP award previously issued to you by DiamondRock. Each such stock option must be exercised by you within 180 days after the date of termination or the date of the remaining option term, if earlier; and

(iv) None of the benefits described in this provision will be payable unless you have signed a general release which has become irrevocable, satisfactory to DiamondRock in the reasonable exercise of its discretion, releasing DiamondRock, and their officers, directors and employees, from any and all claims or potential claims arising from or related to your employment or termination of employment.

(v) For purposes of this Agreement, a “Change in Control” shall mean any of the following events:

1. The ownership or acquisition (whether by a merger contemplated below, or otherwise) by any Person (other than a Qualified Affiliate), in a single transaction or a series of related or unrelated transactions, of Beneficial Ownership of more than 50% of (1) DiamondRock’s outstanding common stock (the “Common Stock”) or (2) the combined voting power of DiamondRock’s outstanding securities entitled to vote generally in the election of directors (the “Outstanding Voting Securities”);

2. The merger or consolidation of DiamondRock with or into any other Person other than a Qualified Affiliate, if, immediately following the effectiveness of such merger or consolidation, Persons who did not Beneficially Own Outstanding Voting Securities immediately before the effectiveness of such merger or consolidation directly or indirectly Beneficially Own more than 50% of the outstanding shares of voting stock of the surviving entity of such merger or consolidation (including for such purpose in both the numerator and denominator, shares of voting stock issuable upon the exercise of then outstanding rights (including conversion rights), options or warrants) (“Resulting Voting Securities”), provided that, for purposes of this Section 6(d)(vii)(B), if a Person who Beneficially Owned Outstanding Voting Securities immediately before the merger or consolidation Beneficially Owns a greater number of the Resulting Voting Securities immediately after the merger or consolidation than the number the Person received solely as a result of the merger or consolidation, such greater number will be treated as held by a Person who did not Beneficially Own Outstanding Voting Securities before the merger or consolidation, and provided further that such merger or consolidation would also constitute a Change in Control if it would satisfy the foregoing test if rights (including conversion rights), options and warrants were not included in the calculation;

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

4. Incumbent Directors cease, for any reason, to be a majority of the members of the Board of Directors, where an “Incumbent Director” is (1) an individual who is a member of the Board of Directors on the effective date of this Agreement or (2) any new director whose appointment by the Board of Directors or whose

nomination for election by the stockholders was approved by a majority of the persons who were already Incumbent Directors at the time of such appointment, election or approval, other than any individual who assumes office initially as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors or as a result of an agreement to avoid or settle such a contest or solicitation; or

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

6. For purposes of this Agreement, the following definitions shall apply: (a) "Beneficial Ownership," "Beneficially Owned" and "Beneficially Owns" shall have the meanings provided in Exchange Act Rule 13d-3; (b) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; (c) "Person" shall mean any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), including any natural person, corporation, trust, association, company, partnership, joint venture, limited liability company, legal entity of any kind, government, or political subdivision, agency or instrumentality of a government, as well as two or more Persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of DiamondRock's securities; and (d) "Qualified Affiliate" shall mean (i) any directly or indirectly wholly owned subsidiary of DiamondRock; (ii) any employee benefit plan (or related trust) sponsored or maintained by DiamondRock or by any entity controlled by DiamondRock; or (iii) any Person consisting in whole or in part of you or one or more individuals who are then DiamondRock's Chief Executive Officer or any other named executive officer (as defined in Item 402 of Regulation S-K under the Securities Act of 1933) of DiamondRock as indicated in its most recent securities filing made before the date of the transaction.

RESTRICTED STOCK AWARD AGREEMENT

UNDER THE DIAMONDROCK HOSPITALITY COMPANY
2004 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee: **William W. McCarten**
No. of Shares: **225,000**
Purchase Price per Share: **$0.00**
Grant Date: **July 7, 2004**
Final Acceptance Date: **August 7, 2004**

Pursuant to the DiamondRock Hospitality Company 2004 Stock Option and Incentive Plan (the "Plan") DiamondRock Hospitality Company (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Common Stock, par value $0.01 per share (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan (the "Restricted Stock").

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award prior to the close of business on the Final Acceptance Date specified above by (i) making payment to the Company by certified or bank check or other instrument acceptable to the Administrator (as defined in Section 2 of the Plan) of the Purchase Price per Share, if any, times the number of shares to be accepted, and (ii) signing and delivering to the Company a copy of this Award Agreement. Upon acceptance of this Award by the Grantee, the shares of Stock underlying this Award 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. Thereupon, the Grantee shall have all the rights of a shareholder with respect to such shares of Stock, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below.

2. Restrictions and Conditions.

(a) Any certificates evidencing the shares of Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) 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.

(c) If the Grantee's employment with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason prior to vesting of the Stock granted herein, the Company shall have the right, at the discretion of the Administrator, to repurchase such shares from the Grantee or the Grantee's legal representative at their purchase price. The Company must exercise such right of repurchase or forfeiture by written notice to the Grantee or the Grantee's legal representative not later than 60 days following such termination of employment.

3. Investment Representations. In connection with the purchase and sale of the shares of Restricted Stock contemplated herein, the Grantee hereby represents and warrants to the Company as follows:

(i) The Grantee is purchasing the Stock for the Grantee's own account for investment only, and not for resale or with a view to the distribution thereof.

(ii) The Grantee has had such an opportunity as he or she has deemed adequate to obtain from the Company such information as is necessary to permit him or her to evaluate the merits and risks of the Grantee's investment in the Company and has consulted with the Grantee's own advisers with respect to the Grantee's investment in the Company.

(iii) The Grantee has sufficient experience in business, financial and investment matters to be able to evaluate the risks involved in the purchase of the Stock and to make an informed investment decision with respect to such purchase.

(iv) The Grantee can afford a complete loss of the value of the Stock and is able to bear the economic risk of holding such Stock for an indefinite period.

(v) The Grantee understands that the Stock is not registered under the Securities Act of 1933, as amended (the "Act") (it being understood that the Stock is being issued and sold in reliance on the exemption provided in Rule 701 of the Act) or any applicable state securities or "blue sky" laws and may not be sold or otherwise transferred or disposed of in the absence of an effective registration statement under the Act and under any applicable state securities or "blue sky" laws (or exemptions from the registration requirements thereof). The Grantee further acknowledges that certificates representing the Stock will bear restrictive legends reflecting the foregoing.

4. Vesting of Restricted Stock. The restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Stock specified as vested on such date.

Vesting Date	Percentage of Shares Becoming Vested	Cumulative Percentage Vested
July 7, 2005	33.3%	33.3%
July 7, 2006	33.3%	66.6%
July 7, 2007	33.4%	100%

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 4, provided, however, that the restrictions and conditions in Paragraph 2 shall automatically lapse upon (i) the termination of the Grantee's employment with the Company due to the Grantee's death or Disability (as such

term is defined in the Employment Agreement, dated June 4, 2004, between the Company and the Grantee, as such agreement may be amended from time to time (the "Employment Agreement")); (ii) the termination of the Grantee's employment by the Company without Cause (as such term is defined in the Employment Agreement); (iii) the termination of the Grantee's employment with the Company by the Grantee for Good Reason (as such term is defined in the Employment Agreement); and (iv) a Change in Control (as such term is defined in the Employment Agreement). In the event of the Grantee's termination of employment with the Company (i) by the Grantee without Good Reason or (ii) by the Company for Cause, the Restricted Stock shall no longer vest and shall be forfeited.

5. Dividends. Dividends on the Stock shall be paid currently to the Grantee.

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. 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 (including, without limitation, the Act), and such disposition is in accordance with the terms, conditions and limitations of the Company's Amended and Restated Charter and such disposition does not cause the Company to become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. In connection with any transfer of Stock, the Company may require the transferor to provide at the Grantee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Act). 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. Certain but not all restrictions on transfer shall terminate upon the closing of the Company's Initial Public Offering.

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

9. 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 address set forth below, or in either case at such other address as one party may subsequently furnish to the other party in writing.

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

(c) The Grantee and any transferee agree, if requested by the Company and any underwriter engaged by the Company, not to sell or otherwise transfer or dispose of any securities of the Company (including, without limitation pursuant to Rule 144 under the Act (or any successor or similar exemptive rule hereafter in effect)) held by them for such period following the effective date of any registration statement of the Company filed under the Act as the Company or such underwriter shall specify reasonably and in good faith, which period shall not exceed, in the case of the June 2004 Offering, the time period specified in the offering memorandum relating to the June 2004 Offering or 180 days in the case of the Company's Initial Public Offering.

By: /s/ Michael D. Schecter
Name: Michael D. Schecter
Title: General Counsel and Secretary

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

Dated: ______________________

/s/ William W. McCarten
William W. McCarten

Grantee's name and address:

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____

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Exhibit 10.16

RESTRICTED STOCK AWARD AGREEMENT

UNDER THE DIAMONDROCK HOSPITALITY COMPANY
2004 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee: **John L. Williams**
No. of Shares: **210,000**
Purchase Price per Share: **$0.00**
Grant Date: **July 7, 2004**
Final Acceptance Date: **August 7, 2004**

Pursuant to the DiamondRock Hospitality Company 2004 Stock Option and Incentive Plan (the "Plan") DiamondRock Hospitality Company (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Common Stock, par value $0.01 per share (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan (the "Restricted Stock").

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award prior to the close of business on the Final Acceptance Date specified above by (i) making payment to the Company by certified or bank check or other instrument acceptable to the Administrator (as defined in Section 2 of the Plan) of the Purchase Price per Share, if any, times the number of shares to be accepted, and (ii) signing and delivering to the Company a copy of this Award Agreement. Upon acceptance of this Award by the Grantee, the shares of Stock underlying this Award 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. Thereupon, the Grantee shall have all the rights of a shareholder with respect to such shares of Stock, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below.

2. Restrictions and Conditions.

(a) Any certificates evidencing the shares of Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) 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.

(c) If the Grantee's employment with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason prior to vesting of the Stock granted herein, the Company shall have the right, at the discretion of the Administrator, to repurchase such shares from the Grantee or the Grantee's legal representative at their purchase price. The Company must exercise such right of repurchase or forfeiture by written notice to the Grantee or the Grantee's legal representative not later than 60 days following such termination of employment.

3. Investment Representations. In connection with the purchase and sale of the shares of Restricted Stock contemplated herein, the Grantee hereby represents and warrants to the Company as follows:

(i) The Grantee is purchasing the Stock for the Grantee's own account for investment only, and not for resale or with a view to the distribution thereof.

(ii) The Grantee has had such an opportunity as he or she has deemed adequate to obtain from the Company such information as is necessary to permit him or her to evaluate the merits and risks of the Grantee's investment in the Company and has consulted with the Grantee's own advisers with respect to the Grantee's investment in the Company.

(iii) The Grantee has sufficient experience in business, financial and investment matters to be able to evaluate the risks involved in the purchase of the Stock and to make an informed investment decision with respect to such purchase.

(iv) The Grantee can afford a complete loss of the value of the Stock and is able to bear the economic risk of holding such Stock for an indefinite period.

(v) The Grantee understands that the Stock is not registered under the Securities Act of 1933, as amended (the "Act") (it being understood that the Stock is being issued and sold in reliance on the exemption provided in Rule 701 of the Act) or any applicable state securities or "blue sky" laws and may not be sold or otherwise transferred or disposed of in the absence of an effective registration statement under the Act and under any applicable state securities or "blue sky" laws (or exemptions from the registration requirements thereof). The Grantee further acknowledges that certificates representing the Stock will bear restrictive legends reflecting the foregoing.

4. Vesting of Restricted Stock. The restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Stock specified as vested on such date.

Vesting Date	Percentage of Shares Becoming Vested	Cumulative Percentage Vested
July 7, 2005	33.3%	33.3%
July 7, 2006	33.3%	66.6%
July 7, 2007	33.4%	100%

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 4, provided, however, that the restrictions and conditions in Paragraph 2 shall automatically lapse upon (i) the termination of the Grantee's employment with the Company due to the Grantee's death or Disability (as such

term is defined in the Employment Agreement, dated June 4, 2004, between the Company and the Grantee, as such agreement may be amended from time to time (the "Employment Agreement")); (ii) the termination of the Grantee's employment by the Company without Cause (as such term is defined in the Employment Agreement); (iii) the termination of the Grantee's employment with the Company by the Grantee for Good Reason (as such term is defined in the Employment Agreement); and (iv) a Change in Control (as such term is defined in the Employment Agreement). In the event of the Grantee's termination of employment with the Company (i) by the Grantee without Good Reason or (ii) by the Company for Cause, the Restricted Stock shall no longer vest and shall be forfeited.

5. Dividends. Dividends on the Stock shall be paid currently to the Grantee.

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. 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 (including, without limitation, the Act), and such disposition is in accordance with the terms, conditions and limitations of the Company's Amended and Restated Charter and such disposition does not cause the Company to become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. In connection with any transfer of Stock, the Company may require the transferor to provide at the Grantee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Act). 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. Certain but not all restrictions on transfer shall terminate upon the closing of the Company's Initial Public Offering.

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

9. 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 address set forth below, or in either case at such other address as one party may subsequently furnish to the other party in writing.

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

(c) The Grantee and any transferee agree, if requested by the Company and any underwriter engaged by the Company, not to sell or otherwise transfer or dispose of any securities of the Company (including, without limitation pursuant to Rule 144 under the Act (or any successor or similar exemptive rule hereafter in effect)) held by them for such period following the effective date of any registration statement of the Company filed under the Act as the Company or such underwriter shall specify reasonably and in good faith, which period shall not exceed, in the case of the June 2004 Offering, the time period specified in the offering memorandum relating to the June 2004 Offering or 180 days in the case of the Company's Initial Public Offering.

By: /s/ William W. McCarten
Name: William W. McCarten
Title: Chief Executive Officer

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

Dated: ____________________

/s/ John L. Williams
John L. Williams

Grantee's name and address:

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____

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Exhibit 10.17

RESTRICTED STOCK AWARD AGREEMENT

UNDER THE DIAMONDROCK HOSPITALITY COMPANY
2004 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee: **Mark W. Brugger**
No. of Shares: **165,000**
Purchase Price per Share: **$0.00**
Grant Date: **July 7, 2004**
Final Acceptance Date: **August 7, 2004**

Pursuant to the DiamondRock Hospitality Company 2004 Stock Option and Incentive Plan (the "Plan") DiamondRock Hospitality Company (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Common Stock, par value $0.01 per share (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan (the "Restricted Stock").

1. <u>Acceptance of Award</u>. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award prior to the close of business on the Final Acceptance Date specified above by (i) making payment to the Company by certified or bank check or other instrument acceptable to the Administrator (as defined in Section 2 of the Plan) of the Purchase Price per Share, if any, times the number of shares to be accepted, and (ii) signing and delivering to the Company a copy of this Award Agreement. Upon acceptance of this Award by the Grantee, the shares of Stock underlying this Award 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. Thereupon, the Grantee shall have all the rights of a shareholder with respect to such shares of Stock, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below.

2. <u>Restrictions and Conditions</u>.

(a) Any certificates evidencing the shares of Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) 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.

(c) If the Grantee's employment with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason prior to vesting of the Stock granted herein, the Company shall have the right, at the discretion of the Administrator, to repurchase such shares from the Grantee or the Grantee's legal representative at their purchase price. The Company must exercise such right of repurchase or forfeiture by written notice to the Grantee or the Grantee's legal representative not later than 60 days following such termination of employment.

3. Investment Representations. In connection with the purchase and sale of the shares of Restricted Stock contemplated herein, the Grantee hereby represents and warrants to the Company as follows:

(i) The Grantee is purchasing the Stock for the Grantee's own account for investment only, and not for resale or with a view to the distribution thereof.

(ii) The Grantee has had such an opportunity as he or she has deemed adequate to obtain from the Company such information as is necessary to permit him or her to evaluate the merits and risks of the Grantee's investment in the Company and has consulted with the Grantee's own advisers with respect to the Grantee's investment in the Company.

(iii) The Grantee has sufficient experience in business, financial and investment matters to be able to evaluate the risks involved in the purchase of the Stock and to make an informed investment decision with respect to such purchase.

(iv) The Grantee can afford a complete loss of the value of the Stock and is able to bear the economic risk of holding such Stock for an indefinite period.

(v) The Grantee understands that the Stock is not registered under the Securities Act of 1933, as amended (the "Act") (it being understood that the Stock is being issued and sold in reliance on the exemption provided in Rule 701 of the Act) or any applicable state securities or "blue sky" laws and may not be sold or otherwise transferred or disposed of in the absence of an effective registration statement under the Act and under any applicable state securities or "blue sky" laws (or exemptions from the registration requirements thereof). The Grantee further acknowledges that certificates representing the Stock will bear restrictive legends reflecting the foregoing.

4. Vesting of Restricted Stock. The restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Stock specified as vested on such date.

Vesting Date	Percentage of Shares Becoming Vested	Cumulative Percentage Vested
July 7, 2005	33.3%	33.3%
July 7, 2006	33.3%	66.6%
July 7, 2007	33.4%	100%

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 4, provided, however, that the restrictions and conditions in Paragraph 2 shall automatically lapse upon (i) the termination of the Grantee's employment with the Company due to the Grantee's death or Disability (as such

term is defined in the Employment Agreement, dated June 4, 2004, between the Company and the Grantee, as such agreement may be amended from time to time (the "Employment Agreement")); (ii) the termination of the Grantee's employment by the Company without Cause (as such term is defined in the Employment Agreement); (iii) the termination of the Grantee's employment with the Company by the Grantee for Good Reason (as such term is defined in the Employment Agreement); and (iv) a Change in Control (as such term is defined in the Employment Agreement). In the event of the Grantee's termination of employment with the Company (i) by the Grantee without Good Reason or (ii) by the Company for Cause, the Restricted Stock shall no longer vest and shall be forfeited.

5. Dividends. Dividends on the Stock shall be paid currently to the Grantee.

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. 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 (including, without limitation, the Act), and such disposition is in accordance with the terms, conditions and limitations of the Company's Amended and Restated Charter and such disposition does not cause the Company to become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. In connection with any transfer of Stock, the Company may require the transferor to provide at the Grantee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Act). 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. Certain but not all restrictions on transfer shall terminate upon the closing of the Company's Initial Public Offering.

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

9. 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 address set forth below, or in either case at such other address as one party may subsequently furnish to the other party in writing.

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

(c) The Grantee and any transferee agree, if requested by the Company and any underwriter engaged by the Company, not to sell or otherwise transfer or dispose of any securities of the Company (including, without limitation pursuant to Rule 144 under the Act (or any successor or similar exemptive rule hereafter in effect)) held by them for such period following the effective date of any registration statement of the Company filed under the Act as the Company or such underwriter shall specify reasonably and in good faith, which period shall not exceed, in the case of the June 2004 Offering, the time period specified in the offering memorandum relating to the June 2004 Offering or 180 days in the case of the Company's Initial Public Offering.

By: /s/ William W. McCarten
Name: William W. McCarten
Title: Chief Executive Officer

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

Dated: ______________________

/s/ Mark W. Brugger
Mark W. Brugger

Grantee's name and address:

____

____

____

RESTRICTED STOCK AWARD AGREEMENT

UNDER THE DIAMONDROCK HOSPITALITY COMPANY
2004 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee: **Michael D. Schecter**
No. of Shares: **75,000**
Purchase Price per Share: **$0.00**
Grant Date: **July 7, 2004**
Final Acceptance Date: **August 7, 2004**

Pursuant to the DiamondRock Hospitality Company 2004 Stock Option and Incentive Plan (the "Plan") DiamondRock Hospitality Company (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Common Stock, par value $0.01 per share (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan (the "Restricted Stock").

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award prior to the close of business on the Final Acceptance Date specified above by (i) making payment to the Company by certified or bank check or other instrument acceptable to the Administrator (as defined in Section 2 of the Plan) of the Purchase Price per Share, if any, times the number of shares to be accepted, and (ii) signing and delivering to the Company a copy of this Award Agreement. Upon acceptance of this Award by the Grantee, the shares of Stock underlying this Award 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. Thereupon, the Grantee shall have all the rights of a shareholder with respect to such shares of Stock, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below.

2. Restrictions and Conditions.

(a) Any certificates evidencing the shares of Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) 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.

(c) If the Grantee's employment with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason prior to vesting of the Stock granted herein, the Company shall have the right, at the discretion of the Administrator, to repurchase such shares from the Grantee or the Grantee's legal representative at their purchase price. The Company must exercise such right of repurchase or forfeiture by written notice to the Grantee or the Grantee's legal representative not later than 60 days following such termination of employment.

3. Investment Representations. In connection with the purchase and sale of the shares of Restricted Stock contemplated herein, the Grantee hereby represents and warrants to the Company as follows:

(i) The Grantee is purchasing the Stock for the Grantee's own account for investment only, and not for resale or with a view to the distribution thereof.

(ii) The Grantee has had such an opportunity as he or she has deemed adequate to obtain from the Company such information as is necessary to permit him or her to evaluate the merits and risks of the Grantee's investment in the Company and has consulted with the Grantee's own advisers with respect to the Grantee's investment in the Company.

(iii) The Grantee has sufficient experience in business, financial and investment matters to be able to evaluate the risks involved in the purchase of the Stock and to make an informed investment decision with respect to such purchase.

(iv) The Grantee can afford a complete loss of the value of the Stock and is able to bear the economic risk of holding such Stock for an indefinite period.

(v) The Grantee understands that the Stock is not registered under the Securities Act of 1933, as amended (the "Act") (it being understood that the Stock is being issued and sold in reliance on the exemption provided in Rule 701 of the Act) or any applicable state securities or "blue sky" laws and may not be sold or otherwise transferred or disposed of in the absence of an effective registration statement under the Act and under any applicable state securities or "blue sky" laws (or exemptions from the registration requirements thereof). The Grantee further acknowledges that certificates representing the Stock will bear restrictive legends reflecting the foregoing.

4. Vesting of Restricted Stock. The restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Stock specified as vested on such date.

Vesting Date	Percentage of Shares Becoming Vested	Cumulative Percentage Vested
July 7, 2005	33.3%	33.3%
July 7, 2006	33.3%	66.6%
July 7, 2007	33.4%	100%

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 4, provided, however, that the restrictions and conditions in Paragraph 2 shall automatically lapse upon (i) the termination of the Grantee's employment with the Company due to the Grantee's death or Disability (as such

term is defined in the Employment Agreement, dated June 4, 2004, between the Company and the Grantee, as such agreement may be amended from time to time (the "Employment Agreement")); (ii) the termination of the Grantee's employment by the Company without Cause (as such term is defined in the Employment Agreement); (iii) the termination of the Grantee's employment with the Company by the Grantee for Good Reason (as such term is defined in the Employment Agreement); and (iv) a Change in Control (as such term is defined in the Employment Agreement). In the event of the Grantee's termination of employment with the Company (i) by the Grantee without Good Reason or (ii) by the Company for Cause, the Restricted Stock shall no longer vest and shall be forfeited.

5. Dividends. Dividends on the Stock shall be paid currently to the Grantee.

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. 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 (including, without limitation, the Act), and such disposition is in accordance with the terms, conditions and limitations of the Company's Amended and Restated Charter and such disposition does not cause the Company to become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. In connection with any transfer of Stock, the Company may require the transferor to provide at the Grantee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Act). 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. Certain but not all restrictions on transfer shall terminate upon the closing of the Company's Initial Public Offering.

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

9. 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 address set forth below, or in either case at such other address as one party may subsequently furnish to the other party in writing.

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

(c) The Grantee and any transferee agree, if requested by the Company and any underwriter engaged by the Company, not to sell or otherwise transfer or dispose of any securities of the Company (including, without limitation pursuant to Rule 144 under the Act (or any successor or similar exemptive rule hereafter in effect)) held by them for such period following the effective date of any registration statement of the Company filed under the Act as the Company or such underwriter shall specify reasonably and in good faith, which period shall not exceed, in the case of the June 2004 Offering, the time period specified in the offering memorandum relating to the June 2004 Offering or 180 days in the case of the Company's Initial Public Offering.

By: /s/ William W. McCarten
Name: William W. McCarten
Title: Chief Executive Officer

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

Dated: ____________________

/s/ Michael D. Schecter
Michael D. Schecter

Grantee's name and address:

THE INFORMATION ACQUISITION AGREEMENT

THIS INFORMATION ACQUISITION AGREEMENT (this "**Agreement**") is entered into this 6th day of July, 2004 (the **"**Effective Date"), by and between MARRIOTT INTERNATIONAL, INC., a Delaware corporation ("**Marriott**") and DIAMONDROCK HOSPITALITY COMPANY, a Maryland corporation (the "**Owner**").

RECITALS:

A. Marriott and certain of its affiliates manage or franchise hotels as part of the chains known as "Marriott Hotels & Resorts," "The Ritz-Carlton," "Renaissance Hotels and Resorts, "Courtyard by Marriott," and "Residence Inn by Marriott."

B. The Owner desires to acquire hotels to be operated by Marriott or one of its affiliates. Marriott desires to have additional hotels managed by Marriott or its affiliates. In consideration of the foregoing, the Owner and Marriott currently desire to have a strategic relationship between them which will further the goals and objectives of both parties.

C. Marriott and the Owner mutually believe that the strategic relationship between them will further the goals and interests of each of them. Marriott and the Owner further mutually believe that it is in the best interests of each of them that the terms of the strategic relationship between them remain flexible, non-binding and subject to change or cancellation by either party, except as otherwise set forth in this Agreement.

In consideration of the foregoing, and in order to promote their mutual and joint interests, the Owner and Marriott hereby agree as follows:

1. Agreement. Marriott covenants and agrees that for the period beginning on July 1, 2004 and ending on June 30, 2006 (the "Term"), Marriott will not enter into any Marriott Restricted Agreement. Notwithstanding the foregoing, Marriott retains the right to enter into written agreements affecting opportunities in any geographic area comprised of less than 10% of the United States by population. The Owner covenants and agrees that during the Term, the Owner will not enter into any Owner Restricted Agreement. Notwithstanding the foregoing, the Owner retains the right to enter into written agreements affecting opportunities in geographic areas comprised of less than 10% of the United States by population. For the avoidance of doubt, the foregoing is not intended to modify or affect (i) any duty of Marriott to an owner or franchisee under any existing management or franchise agreements or other currently existing arrangement or (ii) either party's right to enter into any agreement with any third party to acquire, develop, buy or sell, or manage hotels in any given location provided that such agreement is not a Marriott Restricted Agreement or an Owner Restricted Agreement.

(a) a "Marriott Restricted Agreement" means a written agreement or series of written agreements that require Marriott to grant any third party the right to receive information from Marriott concerning opportunities to purchase full service, urban select service or urban extended stay hotel in the United States, or in any region thereof, prior to such opportunities being presented to Owner;

(b) an “Owner Restricted Agreement” means a written agreement or series of written agreements that require Owner to grant any third party the right to receive information from Owner concerning potential opportunities to provide hotel management services for full service, urban select service or urban extended-stay hotels in the United States, or in any region thereof, prior to such opportunity being presented to Marriott; and

(c) “Urban select service” or “urban extended stay” hotels shall mean those select service and extended stay hotels located in central business districts in cities with a population of not less than five hundred thousand (500,000) persons as determined by the most currently available U.S. census tract maps.

2. Representations and Warranties of the Owner. The Owner represents and warrants to Marriott as follows as of the Effective Date:

(a) The Owner has been duly incorporated, is validly existing and is in good standing in the State of Maryland and has been duly qualified to transact business and is in good standing in each jurisdiction in which the nature of its business so requires. The Owner has all the requisite power and authority to enter into and comply with its obligations under this Agreement.

(b) The execution, delivery and performance of this Agreement and all of the documents and instruments required hereby are within the power of the Owner and have been duly authorized by all necessary action of the Owner. This Agreement is, and the other documents and instruments required hereby will be, when executed and delivered by the Owner, the valid and binding obligations of the Owner, enforceable against the Owner in accordance with their respective terms.

(c) The execution, delivery and performance of this Agreement by the Owner does not and will not conflict with or violate or result in a breach of the terms, conditions or provisions of any agreement, document or instrument to which the Owner is a party or by which the Owner is bound.

(d) There is no suit, action, investigation or proceeding pending or, to the knowledge of the Owner, threatened against or affecting the Owner, which, if adversely determined, would have an adverse effect on the Owner’s ability to comply with the terms or provisions of this Agreement.

3. Representations and Warranties of Marriott. Marriott represents and warrants to the Owner as follows as of the Effective Date:

(a) Marriott has been duly incorporated, is validly existing and is in good standing in the State of Delaware and has been duly qualified to transact business and is in good standing in each jurisdiction in which the nature of its business so requires. Marriott has all the requisite power and authority to enter into and comply with its obligations under this Agreement.

(b) The execution, delivery and performance of this Agreement and all of the documents and instruments required hereby are within the power of Marriott and have been duly authorized by all necessary action of Marriott. This Agreement is, and the other documents and instruments required hereby will be, when executed and delivered by Marriott, the valid and binding obligations of Marriott, enforceable against Marriott in accordance with their respective terms.

(c) The execution, delivery and performance of this Agreement by Marriott does not and will not conflict with or violate or result in a breach of the terms, conditions or provisions of any agreement, document or instrument to which Marriott is a party or by which Marriott is bound.

(d) There is no suit, action, investigation or proceeding pending or, to the knowledge of Marriott, threatened against or affecting Marriott, which, if adversely determined, would have an adverse effect on Marriott's ability to comply with the terms or provisions of this Agreement.

4. Default. If either party breaches this agreement, the non-breaching party's sole remedies are to seek injunctive relief or specific performance or to terminate this agreement.

5. Relationship. Neither this Agreement nor any agreements, instruments, documents or transactions contemplated hereby shall in any respect be interpreted, deemed or construed as making Marriott an agent, partner, sponsor, or joint venturer with the Owner or as creating any similar relationship. Marriott and the Owner agree that notwithstanding any informal relationship, current intentions regarding business opportunities, or subsequent course of dealings, no legal relationship or obligation shall arise between Marriott and the Owner, other than the respective obligations described in Paragraph 1, unless specified in an explicit written agreement between the two parties. Both the Owner and Marriott covenant and agree that they will not make any contrary assertion, contention, claim or counterclaim in any action, suit, arbitration or other legal proceedings involving Marriott and the Owner.

6. No Representation. In entering into this Agreement, Marriott and the Owner acknowledge that neither Marriott nor the Owner has made any representation to the other regarding projected earnings, the possibility of future success or any other similar matter with respect to the subject matter of this Agreement and that Marriott and the Owner understand that no guarantee is made to the other as to any specific amount of income to be received by Marriott or the Owner or as to the future financial success of any hotel.

7. Miscellaneous Provisions.

7.1 Further Assurances. The Owner and Marriott shall execute and deliver all other appropriate supplemental agreements and other instruments, and take any other action necessary to make this Agreement fully and legally effective, binding and enforceable as between them and as against third parties.

7.2 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Owner, its permitted successors and assigns, and shall be binding upon and inure to the benefit of Marriott, its successors and assigns. Neither party may assign any rights under this Agreement to any person except to a wholly- owned subsidiary which will be bound by each and every term and condition of this Agreement, and no such assignment shall relieve either party of any duty or obligation hereunder.

7.3 Governing Law. This Agreement is executed pursuant to, and shall be construed under and governed exclusively by, the internal laws of the State of Maryland.

7.4 Jurisdiction. Each party hereby expressly and irrevocably submits itself to the non-exclusive jurisdiction of the federal or the state courts of the State of Maryland.

7.5 Amendments. This Agreement may not be modified, amended, surrendered or changed, except by a written instrument executed by the Owner and Marriott.

7.6 Partial Invalidity. If any of the provisions in this Agreement shall be declared invalid by a final and non-appealable order, decree or judgment of any court, this Agreement shall be construed as if such provision(s) had not been inserted, unless such construction would substantially destroy the benefit of the bargain of this Agreement to either the Owner or Marriott.

7.7 Interpretation No provisions of this Agreement shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

7.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and need not be signed by more than one of the parties hereto and all of which shall constitute one and the same agreement.

7.9 Notices. Any notice, statement or demand required to be given under this Agreement shall be in writing and be, and at the option of the party giving notice, (i) personally delivered (including delivery by a recognized overnight courier service), (ii) transmitted by postage prepaid certified mail addressed or (iii) transmitted by facsimile, as follows:

To the Owner.

DiamondRock Hospitality Company
10400 Fernwood Road
Bethesda, Maryland 20817
Attention: General Counsel

To Marriott:

Marriott International, Inc.
10400 Fernwood Road
Bethesda, Maryland 20817
Attention: General Counsel

With copy to:

Venable LLP
1800 Mercantile Bank and Trust Building
2 Hopkins Plaza
Baltimore, Maryland 21201
Attention: James D. Wright, Esquire

or to such other addresses as Marriott or the Owner shall designate in the manner herein provided. Any such notice shall be deemed to have been given on (x) the date of receipt by the party to which such notice is addressed at the designated address if delivered personally to the party to which such notice was addressed, or (y) the day three (3) days after it shall have been posted if transmitted by certified mail, whichever shall first occur, but the time period for any response thereto or action in connection therewith shall not commence to run until actual receipt by any employee of the recipient at the designated address or rejection or inability to deliver such notice. The Owner and Marriott each agree that upon giving of any notice, it shall use its best efforts to advise the other by telephone that a notice has been sent hereunder. Such telephonic advice shall not, however, be a condition to the effectiveness of notice hereunder.

[Signatures begin on next page.]

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

MARRIOTT:

MARRIOTT INTERNATIONAL, INC.

By: /s/ Michael E. Dearing
Name: Michael E. Dearing
Title: Vice President

OWNER:

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ Michael D. Schecter
Name: Michael D. Schecter
Title: General Counsel

Exhibit 21.1

DiamondRock Hospitality Company Subsidiaries

Subsidiary	State of Incorporation
DiamondRock Hospitality, LLC	Delaware
DiamondRock Hospitality Limited Partnership	Delaware
Bloodstone TRS, Inc.	Delaware
Rock Spring Park Limited Partnership	Maryland
DiamondRock Bethesda General, LLC	Delaware
DiamondRock Bethesda Limited, LLC	Delaware
DiamondRock Bethesda Tenant, LLC	Delaware
DiamondRock East 40th Street NYC Owner Holdings, LLC	Delaware
DiamondRock East 40th Street NYC Owner, LLC	Delaware
DiamondRock East 40th Street NYC Tenant, LLC	Delaware
DiamondRock Griffin Gate Owner, LLC	Delaware
DiamondRock Griffin Gate Tenant, LLC	Delaware
DiamondRock Manhattan/Midtown East Owner, LLC	Delaware
DiamondRock Manhattan/Midtown East Tenant Holdings, LLC	Delaware
DiamondRock Manhattan/Midtown East Tenant, LLC	Delaware
DiamondRock Salt Lake Owner, LLC	Delaware
DiamondRock Salt Lake Tenant, LLC	Delaware
DiamondRock Sonoma Owner, LLC	Delaware
DiamondRock Sonoma Tenant, LLC	Delaware
DiamondRock Torrance Holdings, LLC	Delaware
DiamondRock Torrance Mezz Borrower, LLC	Delaware
DiamondRock Torrance Owner, LLC	Delaware
DiamondRock Torrance Tenant, LLC	Delaware

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
DiamondRock Hospitality Company:

We consent to the use of our report dated February 18, 2005, with respect to the consolidated financial statements and schedule of DiamondRock Hospitality Company and subsidiaries (the Company) as of December 31, 2004, and for the period from May 6, 2004 to December 31, 2004; to the use of our report dated January 5, 2005, with respect to the financial statements of Sonoma LLC as of October 8, 2004 and January 2, 2004, and for the periods from April 23, 2004 to October 8, 2004 and from January 3, 2004 to April 23, 2004, and the fiscal years ended January 2, 2004 and January 3, 2003; to the use of our report dated November 19, 2004, with respect to the financial statements of Courtyard by Marriott Midtown East as of October 8, 2004 and January 2, 2004, and for the period from January 3, 2004 to October 8, 2004 and fiscal years ended January 2, 2004 and January 3, 2003; to the use of our report dated December 15, 2004, with respect to the financial statements of Rock Spring Park Hotel Limited Partnership as of October 8, 2004 and January 2, 2004, and for the period from January 3, 2004 to October 8, 2004 and fiscal years ended January 2, 2004 and January 3, 2003; to the use of our report dated January 5, 2005, with respect to the financial statements of Marriott Salt Lake City Downtown as of October 8, 2004 and January 2, 2004, and for the period from January 3, 2004 to October 8, 2004 and fiscal years ended January 2, 2004 and January 3, 2003; to the use of our report dated January 5, 2005, with respect to the financial statements of Torrance Marriott as of October 8, 2004 and January 2, 2004, and for the period from January 3, 2004 to October 8, 2004 and fiscal years ended January 2, 2004 and January 3, 2003; to the use of our report dated January 17, 2005, with respect to the financial statements of Fifth Avenue Associates LLC as of September 30, 2004 and December 31, 2003, and for the period from January 1, 2004 to September 30, 2004 and years ended December 31, 2003 and 2002; to the use of our report dated January 31, 2005, with respect to the financial statements of Marriott Griffin Gate Resort for the period from January 4, 2003 to June 25, 2003 and the fiscal year ended January 3, 2003 and to the use of our report dated January 31, 2005, with respect to the financial statements for MI Griffin Gate Hotel, LLC for the periods from January 3, 2004 to October 8, 2004 and from June 26, 2004 to January 2, 2004, included herein and to the references to our firm under the headings “Summary Selected Financial and Operating Data”, “Selected Financial and Operating Data”, “Unaudited Pro Forma Financial Information” and “Experts” in the prospectus.

/s/ KPMG LLP
McLean, VA
February 24, 2005

GOODWIN | PROCTER

Goodwin Procter LLP
Counsellors at Law
Exchange Place
Boston, MA 02109

T: 617.570.1000
F: 617.523.1231
goodwinprocter.com

March 1, 2005

VIA EDGAR

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: DiamondRock Hospitality Company
Form S-11 Registration Statement
Registration No. 333-__________

Ladies and Gentlemen:

On behalf of DiamondRock Hospitality Company, a Maryland corporation (the “Company”), we enclose for filing the Company’s Registration Statement on Form S-11 under the Securities Act of 1933, as amended, relating to the proposed offering of shares of the Company’s common stock to be listed on the New York Stock Exchange.

The amount of $20,500.00 has been previously submitted via wire transfer to the Securities and Exchange Commission’s account at Mellon Bank in payment of the filing fee.

In the event that the Staff has any questions or comments, please contact the undersigned at (617) 570-1306. Thank you for your assistance and cooperation

Very truly yours,

/s/ Suzanne Lecaroz

of Goodwin Procter LLP