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

FORM 10-Q

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

For the quarterly period ended March 31, 2017

OR

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

Commission file number 001-32514

DIAMONDROCK HOSPITALITY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

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

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

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

The registrant had 200,266,132 shares of its $0.01 par value common stock outstanding as of May 5, 2017.

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PART I. FINANCIAL INFORMATION
Item I. Financial Statements

DIAMONDROCK HOSPITALITY COMPANY

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

	March 31, 2017	December 31, 2016
ASSETS		
Property and equipment, net	$ 2,753,516	$ 2,646,676
Restricted cash	48,754	46,069
Due from hotel managers	91,859	77,928
Favorable lease assets, net	26,508	18,013
Prepaid and other assets	35,682	37,682
Cash and cash equivalents	112,429	243,095
Total assets	**$ 3,068,748**	**$ 3,069,463**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage debt, net of unamortized debt issuance costs	$ 818,600	$ 821,167
Term loan, net of unamortized debt issuance costs	99,409	99,372
Senior unsecured credit facility	—	—
Total debt	918,009	920,539
Deferred income related to key money, net	19,359	20,067
Unfavorable contract liabilities, net	72,168	72,646
Deferred ground rent	81,990	80,509
Due to hotel managers	72,738	58,294
Dividends declared and unpaid	25,464	25,567
Accounts payable and accrued expenses	57,723	55,054
Total liabilities	1,247,451	1,232,676
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 400,000,000 shares authorized; 200,266,132 and 200,200,902 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	2,003	2,002
Additional paid-in capital	2,056,255	2,055,365
Accumulated deficit	(236,961)	(220,580)
Total stockholders' equity	1,821,297	1,836,787
Total liabilities and stockholders' equity	**$ 3,068,748**	**$ 3,069,463**

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

DIAMONDROCK HOSPITALITY COMPANY

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

	Three Months Ended March 31,	
	2017	**2016**
Revenues:		
Rooms	$ 137,832	$ 149,443
Food and beverage	44,778	50,374
Other	13,600	13,217
Total revenues	196,210	213,034
Operating Expenses:		
Rooms	36,901	38,714
Food and beverage	29,466	33,350
Management fees	6,012	6,609
Other hotel expenses	71,659	78,929
Depreciation and amortization	24,363	25,121
Hotel acquisition costs	2,251	—
Corporate expenses	6,262	6,000
Total operating expenses, net	176,914	188,723
Operating profit	19,296	24,311
Interest and other income, net	(359)	(50)
Interest expense	9,513	11,664
Total other expenses, net	9,154	11,614
Income before income taxes	10,142	12,697
Income tax (expense) benefit	(1,255)	4,081
Net income	$ 8,887	$ 16,778
Earnings per share:		
Basic earnings per share	$ 0.04	$ 0.08
Diluted earnings per share	$ 0.04	$ 0.08

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

DIAMONDROCK HOSPITALITY COMPANY

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

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	$ 8,887	$ 16,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,363	25,121
Corporate asset depreciation as corporate expenses	16	17
Non-cash ground rent	1,550	1,334
Amortization of debt issuance costs	542	588
Amortization of favorable and unfavorable contracts, net	(478)	(478)
Amortization of deferred income related to key money	(709)	(717)
Stock-based compensation	1,322	1,373
Changes in assets and liabilities:		
Prepaid expenses and other assets	1,849	797
Restricted cash	(2,917)	(1,371)
Due to/from hotel managers	(8,314)	(5,322)
Accounts payable and accrued expenses	(4,204)	(8,443)
Net cash provided by operating activities	21,907	29,677
Cash flows from investing activities:		
Hotel capital expenditures	(35,807)	(27,410)
Hotel acquisitions	(93,795)	—
Change in restricted cash	5,753	3,713
Net cash used in investing activities	(123,849)	(23,697)
Cash flows from financing activities:		
Scheduled mortgage debt principal payments	(2,921)	(2,916)
Repayments of mortgage debt	—	(201,713)
Draws on senior unsecured credit facility	—	60,000
Payment of cash dividends	(25,274)	(25,347)
Repurchase of common stock	(529)	(685)
Net cash used in financing activities	(28,724)	(170,661)
Net decrease in cash and cash equivalents	(130,666)	(164,681)
Cash and cash equivalents, beginning of period	243,095	213,584
Cash and cash equivalents, end of period	$ 112,429	$ 48,903
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 9,345	$ 11,228
Cash paid for income taxes	$ 398	$ 359
Non-cash Investing and Financing Activities:		
Unpaid dividends	$ 25,464	$ 25,489

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

DIAMONDROCK HOSPITALITY COMPANY

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

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

As of March 31, 2017, we owned 28 hotels with 9,630 guest rooms, located in the following markets: Atlanta, Georgia; Boston, Massachusetts (2); Burlington, Vermont; Charleston, South Carolina; Chicago, Illinois (2); Denver, Colorado (2); Fort Lauderdale, Florida; Fort Worth, Texas; Huntington Beach, California; Key West, Florida (2); New York, New York (4); Salt Lake City, Utah; San Diego, California; San Francisco, California; Sedona, Arizona (2); Sonoma, California; Washington D.C. (2); St. Thomas, U.S. Virgin Islands; and Vail, Colorado.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2016, included in our Annual Report on Form 10-K filed on February 27, 2017.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of March 31, 2017, and the results of our operations and cash flows for the three months ended March 31, 2017 and 2016. Interim results are not necessarily indicative of full-year performance because of the impact of seasonal and short-term variations.

Our financial statements include all of the accounts of the Company and its subsidiaries in accordance with U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation. If the Company determines that it has an interest in a variable interest entity within the meaning of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *Consolidation*, the Company will consolidate the entity when it is determined to be the primary beneficiary of the entity. Our operating partnership meets the criteria of a variable interest entity. The Company is the primary beneficiary and, accordingly, we consolidate our operating partnership.

Property and Equipment

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 40 years for buildings, land improvements, and building improvements and 1 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets.

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

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

Revenue Recognition

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

Earnings Per Share

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

Stock-based Compensation

We account for stock-based employee compensation using the fair value based method of accounting. We record the cost of stock-based awards based on the grant-date fair value of the award. The vesting of the awards issued to officers and employees is based on either continued employment (time-based) or based on continued employment and the relative total shareholder returns of the Company or improvement in market share of the Company's hotels (performance-based). The cost of time-based awards and performance-based awards is recognized over the period during which an employee is required to provide service in exchange for the award, adjusted for forfeitures.

Income Taxes

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

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

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

We had no accruals for tax uncertainties as of March 31, 2017 and December 31, 2016.

Fair Value Measurements

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

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

Intangible Assets and Liabilities

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

Use of Estimates

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

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or business combinations. This standard will be effective for annual periods beginning after December 15, 2017, although early adoption is permitted. We are evaluating the effect of ASU No. 2017-01 on our consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This standard will be effective for annual periods beginning after December 15, 2017, although early adoption is permitted. We are evaluating the effect of ASU No. 2016-18 on our consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce diversity in practice as to how certain transactions are classified in the statement of cash flows. This standard will be effective for annual periods beginning after December 15, 2017, although early adoption is permitted. We are evaluating the effect of ASU No. 2016-15 on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies various aspects of how share-based payments are accounted for and presented in the financial statements. This standard requires companies to record all of the tax effects related to share-based payments through the income statement, allows companies to elect an accounting policy to either estimate the share based award forfeitures (and expense) or account for forfeitures (and expense) as they occur, and allows companies to withhold up to the maximum individual statutory tax rate the shares upon settlement of an award without causing the award to be classified as a liability. This guidance is effective for annual periods beginning after December 15, 2016. We adopted ASU No. 2016-09 effective January 1, 2017 and it did not have a material impact on our financial position, results of operations or cash flows.

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

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which affects virtually all aspects of an entity's revenue recognition. The new standard sets forth five prescribed steps to determine the timing and amount of revenue to be recognized to appropriately depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effectiveness of ASU No. 2014-09 to reporting periods beginning after December 15, 2017 and permitted early application for annual reporting periods beginning after December 15, 2016. While we have not completed our assessment of this standard, we do not expect it to materially affect the amount or timing of revenue recognition for revenues from room, food and beverage, and other hotel-level sales. Furthermore, we do not expect the standard to significantly impact the recognition of or accounting for real estate sales to third parties, since we primarily dispose of real estate in exchange for cash with few contingencies.

3. Property and Equipment

Property and equipment as of March 31, 2017 and December 31, 2016 consists of the following (in thousands):

	March 31, 2017	December 31, 2016
Land	$ 602,857	$ 553,769
Land improvements	7,994	7,994
Buildings and site improvements	2,415,647	2,355,871
Furniture, fixtures and equipment	475,163	428,991
Construction in progress	11,437	35,253
	3,513,098	3,381,878
Less: accumulated depreciation	(759,582)	(735,202)
	$ 2,753,516	$ 2,646,676

As of March 31, 2017 and December 31, 2016, we had accrued capital expenditures of $17.6 million and $10.8 million, respectively.

4. Favorable Lease Assets

In connection with the acquisition of certain hotels, we have recognized intangible assets for favorable leases. Our favorable lease assets, net of accumulated amortization of $2.4 million and $2.3 million as of March 31, 2017 and December 31, 2016, respectively, consist of the following (in thousands):

	March 31, 2017	December 31, 2016
Westin Boston Waterfront Hotel Ground Lease	$ 17,805	$ 17,859
Orchards Inn Sedona Annex Sublease	8,557	—
Lexington Hotel New York Tenant Leases	146	154
	$ 26,508	$ 18,013

Favorable lease assets are recorded at the acquisition date and are generally amortized using the straight-line method over the remaining non-cancelable term of the lease agreement. We recorded $0.1 million of amortization expense for each of the three months ended March 31, 2017 and 2016.

In connection with our acquisition of the Orchards Inn Sedona on February 28, 2017, we recorded a $8.6 million favorable lease asset. We determined the value using a discounted cash flow of the favorable difference between the contractual lease payments and estimated market rents. The market rents were estimated by a third-party valuation firm and the discount rate was estimated using a risk adjusted rate of return. See Note 9 for further discussion of this favorable lease asset. We believe all material adjustments necessary to reflect the effects of the Orchards Inn Sedona acquisition have been made; however, the amounts recorded are based on a preliminary estimate of the fair value of the assets acquired, including the favorable lease asset, and the liabilities assumed. We will finalize the recorded amounts upon the completion of our valuation analysis of the assets acquired and liabilities assumed.

5. Capital Stock

Common Shares

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

We have an “at-the-market” equity offering program (the “ATM program”), pursuant to which we may issue and sell shares of our common stock from time to time, having an aggregate offering price of up to $200 million. We have not sold any shares of our common stock during 2017 and there is $128.3 million remaining under the ATM program.

Our board of directors has approved a share repurchase program authorizing us to repurchase up to $150 million in shares of our common stock. Repurchases under this program are made in open market or privately negotiated transactions as permitted by federal securities laws and other legal requirements. This authority may be exercised from time to time and in such amounts as market conditions warrant, and subject to regulatory considerations. The timing, manner, price and actual number of shares repurchased depends on a variety of factors including stock price, corporate and regulatory requirements, market conditions, and other corporate liquidity requirements and priorities. The share repurchase program may be suspended or terminated at any time without prior notice. We have not repurchased any shares of our common stock during 2017 and we have $143.5 million of capacity remaining under our share repurchase program.

Dividends

We have paid the following dividends to holders of our common stock during 2017 as follows:

Payment Date	Record Date	Dividend per Share
January 12, 2017	December 30, 2016	$ 0.125
April 12, 2017	March 31, 2017	$ 0.125

Preferred Shares

We are authorized to issue up to 10 million shares of preferred stock, $0.01 par value per share. Our board of directors is required to set for each class or series of preferred stock the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption. As of March 31, 2017 and December 31, 2016, there were no shares of preferred stock outstanding.

Operating Partnership Units

Holders of operating partnership units have certain redemption rights, which would enable them to cause our operating partnership to redeem their units in exchange for cash per unit equal to the market price of our common stock, at the time of redemption, or, at our option for shares of our common stock on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the limited partners or our stockholders. As of March 31, 2017 and December 31, 2016, there were no operating partnership units held by unaffiliated third parties.

6. Stock Incentive Plans

We are authorized to issue up to 6,082,664 shares of our common stock under our 2016 Equity Incentive Plan (the "2016 Plan"), of which we have issued or committed to issue 385,033 shares as of March 31, 2017. In addition to these shares, additional shares of common stock could be issued in connection with the performance stock unit awards as further described below. The 2016 Plan replaced the 2004 Stock Option and Incentive Plan, as amended (the "2004 Plan"). We no longer make share grants and issuances under the 2004 Plan, although awards previously made under the 2004 Plan that are outstanding will remain in effect in accordance with the terms of that plan and the applicable award agreements.

Restricted Stock Awards

Restricted stock awards issued to our officers and employees generally vest over a three-year period from the date of the grant based on continued employment. We measure compensation expense for the restricted stock awards based upon the fair market value of our common stock at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying condensed consolidated statements of operations. A summary of our restricted stock awards from January 1, 2017 to March 31, 2017 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2017	567,540	$ 10.62
Granted	317,186	11.20
Vested	(244,411)	11.29
Forfeited	(8,377)	10.74
Unvested balance at March 31, 2017	631,938	$ 10.65

The remaining share awards are expected to vest as follows: 288,307 shares during 2018, 228,169 shares during 2019, and 115,462 during 2020. As of March 31, 2017, the unrecognized compensation cost related to restricted stock awards was $6.5 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 28 months. We recorded $0.7 million and $0.8 million, respectively, of compensation expense related to restricted stock awards for the three months ended March 31, 2017 and 2016.

Performance Stock Units

Performance stock units (“PSUs”) are restricted stock units that vest three years from the date of grant. Each executive officer is granted a target number of PSUs (the “PSU Target Award”). For the PSUs issued in 2014 and 2015 and vesting in 2017 and 2018, respectively, the actual number of shares of common stock issued to each executive officer is subject to the achievement of certain levels of total stockholder return relative to the total stockholder return of a peer group of publicly traded lodging REITs over a three-year performance period. There will be no payout of shares of our common stock if our total stockholder return falls below the 30th percentile of the total stockholder returns of the peer group. The maximum number of shares of common stock issued to an executive officer is equal to 150% of the PSU Target Award and is earned if our total stockholder return is equal to or greater than the 75th percentile of the total stockholder returns of the peer group. For the PSUs issued in 2016 and vesting in 2019, the calculation of total stockholder return relative to the total stockholder return of a peer group over a three-year performance period remained in effect for 75% of the number of PSUs to be earned in the performance period. The remaining 25% is determined based on achieving improvement in market share for each of our hotels over the three-year performance period. For the PSUs issued in 2017 and vesting in 2020, the calculation of total stockholder return relative to the total stockholder return of a peer group over a three-year performance period applies to 50% of the number of PSUs to be earned in the performance period. The remaining 50% is determined based on achieving improvement in market share for each of our hotels over the three-year performance period.

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

On February 27, 2017, our board of directors granted 266,009 PSUs to our executive officers. The grant date fair value of the portion of the PSUs based on our relative total stockholder return was $10.89 using the assumptions of volatility of 26.7% and a risk-free rate of 1.46%. The grant date fair value of the portion of the PSUs based on hotel market share was $11.20, the closing stock price of our common stock on such date.

A summary of our PSUs from January 1, 2017 to March 31, 2017 is as follows:

	Number of Target Units	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2017	686,684	$ 10.65
Granted	266,009	11.04
Additional units from dividends	7,610	11.28
Vested (1)	(200,374)	12.15
Unvested balance at March 31, 2017	759,929	$ 10.39

(1) There was no payout of shares of our common stock for PSUs that vested on February 27, 2017, as our total stockholder return fell below the 30th percentile of the total stockholder returns of the peer group over the three-year performance period.

The remaining target units are expected to vest as follows: 209,069 units during 2018, 284,851 units during 2019 and 266,009 units during 2020. The number of shares earned upon vesting is subject to the attainment of the performance goals described above. As of March 31, 2017, the unrecognized compensation cost related to the PSUs was $5.0 million and is expected to be recognized on a straight-line basis over a weighted average period of 28 months. We recorded $0.6 million of compensation expense related to the PSUs for each of the three months ended March 31, 2017 and 2016.

7. Earnings Per Share

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

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

	Three Months Ended March 31,	
	2017	2016
Numerator:		
Net income	$ 8,887	$ 16,778
Denominator:		
Weighted-average number of common shares outstanding—basic	200,654,092	200,992,875
Effect of dilutive securities:		
Unvested restricted common stock	236,081	174,165
Shares related to unvested PSUs	947,409	428,421
Weighted-average number of common shares outstanding—diluted	201,837,582	201,595,461
Earnings per share:		
Basic earnings per share	$ 0.04	$ 0.08
Diluted earnings per share	$ 0.04	$ 0.08

We did not include unexercised stock appreciation rights of 20,770 for the three months ended March 31, 2017 as they would be anti-dilutive.

8. Debt

The following table sets forth information regarding the Company’s debt as of March 31, 2017 (dollars in thousands):

Property		Principal Balance	Interest Rate	Maturity Date
Lexington Hotel New York	$	170,368	LIBOR + 2.25% (1)	October 2017 (2)
Salt Lake City Marriott Downtown		57,926	4.25%	November 2020
Westin Washington D.C. City Center		66,343	3.99%	January 2023
The Lodge at Sonoma, a Renaissance Resort & Spa		28,739	3.96%	April 2023
Westin San Diego		65,918	3.94%	April 2023
Courtyard Manhattan / Midtown East		85,098	4.40%	August 2024
Renaissance Worthington		85,000	3.66%	May 2025
JW Marriott Denver at Cherry Creek		64,308	4.33%	July 2025
Boston Westin		200,598	4.36%	November 2025
Unamortized debt issuance costs		(5,698)		
Total mortgage debt, net of unamortized debt issuance costs		818,600		
Unsecured term loan		100,000	LIBOR + 1.45% (3)	May 2021
Unamortized debt issuance costs		(591)		
Unsecured term loan, net of unamortized debt issuance costs		99,409		
Senior unsecured credit facility		—	LIBOR + 1.50%	May 2020 (4)
Total debt, net of unamortized debt issuance costs	$	918,009		
Weighted-Average Interest Rate			3.80%	

(1) The interest rate as of March 31, 2017 was 3.04%.
(2) The loan was repaid in full on April 26, 2017.
(3) The interest rate as of March 31, 2017 was 2.27%.
(4) The credit facility may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions.

Mortgage Debt

We have incurred limited recourse, property specific mortgage debt secured by certain of our hotels. In the event of default, the lender may only foreclose on the secured assets; however, in the event of fraud, misapplication of funds or other customary recourse provisions, the lender may seek payment from us. As of March 31, 2017, nine of our 28 hotels were secured by mortgage debt.

Our mortgage debt contains certain property specific covenants and restrictions, including minimum debt service coverage ratios that trigger “cash trap” provisions as well as restrictions on incurring additional debt without lender consent. During 2016, the cash trap provision was triggered on the mortgage loan secured by the Lexington Hotel New York. As of March 31, 2017, we were in compliance with the financial covenants of our mortgage debt.

On April 26, 2017, we repaid the mortgage loan secured by the Lexington Hotel New York with proceeds from a new unsecured term loan, which is discussed further below.

Senior Unsecured Credit Facility

We are party to a senior unsecured credit facility with a capacity of $300 million. The maturity date is May 2020 and may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions. The facility also includes an accordion feature to expand up to $600 million, subject to lender consent. The interest rate on the facility is based upon LIBOR, plus an applicable margin.

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

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

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

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

	Covenant	Actual at March 31, 2017
Maximum leverage ratio (1)	60%	25.2%
Minimum fixed charge coverage ratio (2)	1.50x	4.65x
Minimum tangible net worth (3)	$1.91 billion	$2.55 billion
Secured recourse indebtedness	Less than 45% of Total Asset Value	26.8%

(1) Leverage ratio is net indebtedness, as defined in the credit agreement, divided by total asset value, defined in the credit agreement as the value of our owned hotels based on hotel net operating income divided by a defined capitalization rate.

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

(3) Tangible net worth, as defined in the credit agreement, is (i) total gross book value of all assets, exclusive of depreciation and amortization, less intangible assets, total indebtedness, and all other liabilities, plus (ii) 75% of net proceeds from future equity issuances.

As of March 31, 2017, we had no borrowings outstanding under the facility and the Company's leverage ratio was 25.2%. Accordingly, interest on our borrowings under the facility, if any, will be based on LIBOR plus 150 basis points for the following quarter. We incurred interest and unused credit facility fees on the facility of $0.3 million and $0.5 million for the three months ended March 31, 2017 and 2016, respectively.

Unsecured Term Loans

We are party to a five-year $100 million unsecured term loan. The interest rate on the term loan is based on a pricing grid ranging from 145 to 220 basis points over LIBOR, based on the Company’s leverage ratio. The financial covenants of the term loan are consistent with the covenants on our senior unsecured credit facility, which are described above.

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

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

As of March 31, 2017, the Company's leverage ratio was 25.2%. Accordingly, interest on our borrowings under the term loan will be based on LIBOR plus 145 basis points for the following quarter. We incurred interest on the facility of $0.6 million for the three months ended March 31, 2017. No interest was incurred for the three months ended March 31, 2016 as we did not close on the term loan until May 3, 2016.

On April 26, 2017, we closed on a new five-year $200 million unsecured term loan. The interest rate on the new term loan is based on the same pricing grid as the $100 million term loan. The financial covenants of the term loan are consistent with the covenants on our senior unsecured credit facility, which are described above. A portion of the proceeds from the new term loan was used to repay the $170.4 million mortgage loan secured by the Lexington Hotel New York.

9. Acquisitions

On February 28, 2017, we acquired the 88-room L'Auberge de Sedona and the 70-room Orchards Inn Sedona, each located in Sedona, Arizona, for a total contractual purchase price of $97 million. The acquisition was funded with corporate cash. The hotels are managed by IMH Financial Corporation pursuant to a new management agreement with an initial term of five years, which is terminable at our discretion beginning December 31, 2017. The management agreement provides for a base management fee of 2.45% of gross revenues in 2017, 2.70% of gross revenues in 2018, and 3.0% of gross revenues in 2019 and through the end of the term. The management agreement also provides for an incentive management fee of 12% of hotel operating profit above an owner's priority determined in accordance with the terms of the management agreement in 2017, increasing to 15% by 2020.

We sublease the buildings and underlying land containing 28 of the 70 rooms at the Orchards Inn Sedona, which expires in 2070, including all extension options. We reviewed the terms of the annex sublease in conjunction with the hotel acquisition accounting and concluded that the terms are favorable to us compared with a typical current market lease. As a result, we recorded a $8.6 million favorable lease asset that will be amortized through 2070.

We believe all material adjustments necessary to reflect the effects of the acquisitions have been made; however, the amounts recorded are based on a preliminary estimate of the fair value of the assets acquired and the liabilities assumed. We will finalize the recorded amounts upon the completion of our valuation analysis of the assets acquired and liabilities assumed, not to exceed one year from the date of acquisition. The following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed in our acquisitions (in thousands):

	L'Auberge de Sedona	Orchards Inn Sedona
Land	$ 39,484	$ 9,604
Building and improvements	22,329	10,883
Furnitures, fixtures and equipment	4,387	1,956
Total fixed assets	66,200	22,443
Favorable lease asset	—	8,557
Other assets and liabilities, net	(2,946)	(459)
Total	$ 63,254	$ 30,541

Acquired properties are included in our results of operations from the date of acquisition. The following unaudited pro forma financial information presents our results of operations (in thousands, except per share data) as if the hotels were acquired on January 1, 2016. The comparable information is not necessarily indicative of the results that actually would have occurred nor does it indicate future operating results.

	Three Months Ended March 31,	
	2017	2016
Revenues	$ 199,632	$ 218,399
Net income	$ 8,613	$ 16,811
Earnings per share:		
Basic earnings per share	$ 0.04	$ 0.08
Diluted earnings per share	$ 0.04	$ 0.08

For the three months ended March 31, 2017, our condensed consolidated statements of operations include $3.4 million of revenues and $0.9 million of net income related to the operations of the L'Auberge de Sedona and Orchards Inn Sedona.

10. Fair Value of Financial Instruments

The fair value of certain financial assets and liabilities and other financial instruments as of March 31, 2017 and December 31, 2016, in thousands, is as follows:

	March 31, 2017		December 31, 2016	
	Carrying Amount (1)	Fair Value	Carrying Amount (1)	Fair Value
Debt	$ 918,009	$ 920,018	$ 920,539	$ 906,156

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

The fair value of our mortgage debt is a Level 2 measurement under the fair value hierarchy (see Note 2). We estimate the fair value of our mortgage debt by discounting the future cash flows of each instrument at estimated market rates. The carrying value of our other financial instruments approximate fair value due to the short-term nature of these financial instruments.

11. Commitments and Contingencies

Litigation

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

Other Matters

As previously reported, in February 2016, the Company was notified by the franchisor of one of its hotels that as a result of low guest satisfaction scores, the Company is in default under the franchise agreement for that hotel. The Company continues to proactively work with the franchisor and the manager of the hotel and developed and executed a plan aimed to improve guest satisfaction scores. To date, however, although guest satisfaction scores have continued to improve, the franchisor previously notified the Company that such improvement was not sufficient under the franchise agreement and the Company continues to be in default. While the franchisor has reserved all of its rights under the franchise agreement, including the right to terminate the franchise agreement in the future, no action to terminate the franchise agreement has been taken by the franchisor.

While the Company continues to work diligently with the franchisor and manager to resolve the matter, no assurance can be given that the Company will be successful. If the Company is not successful, the franchisor may seek to terminate the franchise agreement and assert a claim it is owed a termination fee, including a payment for liquidated damages, which could result in a material adverse effect on the Company's business, financial condition or results of operation.

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

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. These forward-looking statements are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions, whether in the negative or affirmative. Forward-looking statements are based on management's current expectations and assumptions and are not guarantees of future performance. Factors that may cause actual results to differ materially from current expectations include, but are not limited to, the risks discussed herein and the risk factors discussed from time to time in our periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2016 as updated by our Quarterly Reports on Form 10-Q. Accordingly, there is no assurance that the Company's expectations will be realized. Except as otherwise required by the federal securities laws, the Company disclaims any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this report to reflect events, circumstances or changes in expectations after the date of this report.

Overview

DiamondRock Hospitality Company is a lodging-focused Maryland corporation operating as a real estate investment trust ("REIT"). As of March 31, 2017, we owned a portfolio of 28 premium hotels and resorts that contain 9,630 guest rooms located in 18 different markets in North America and the U.S. Virgin Islands. As an owner, rather than an operator, of lodging properties, we receive all of the operating profits or losses generated by our hotels after the payment of fees due to hotel managers, which are calculated based on the revenues and profitability of each hotel.

Our vision is to be a highly professional public lodging REIT that delivers long-term returns for our stockholders which exceed long-term returns generated by our peers. Our goal is to deliver long-term stockholder returns through a combination of dividends and enduring capital appreciation. Our strategy is to utilize disciplined capital allocation, focus on high quality lodging properties in North American markets with superior growth prospects and high barriers-to-entry, aggressively asset manage those hotels, and employ conservative amounts of leverage.

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

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

Key Indicators of Financial Condition and Operating Performance

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

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

- Funds From Operations (or FFO) and Adjusted FFO.

Occupancy, ADR and RevPAR are commonly used measures within the hotel industry to evaluate operating performance. RevPAR, which is calculated as the product of ADR and occupancy percentage, is an important statistic for monitoring operating performance at the individual hotel level and across our business as a whole. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a company-wide and regional basis. ADR and RevPAR include only room revenue. Room revenue comprised approximately 70% of our total revenues for the three months ended March 31, 2017 and is dictated by demand, as measured by occupancy percentage, pricing, as measured by ADR, and our available supply of hotel rooms.

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

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

Our Hotels

The following table sets forth certain operating information for the three months ended March 31, 2017 for each of our hotels.

Property	Location	Number of Rooms	Occupancy (%)	ADR($)	RevPAR($)	% Change from 2016 RevPAR (1)
Chicago Marriott Downtown	Chicago, Illinois	1,200	49.5%	$ 164.76	$ 81.51	24.4 %
Westin Boston Waterfront Hotel	Boston, Massachusetts	793	67.6%	207.73	140.34	(2.1)%
Lexington Hotel New York	New York, New York	725	87.2%	177.62	154.92	3.6 %
Salt Lake City Marriott Downtown	Salt Lake City, Utah	510	76.8%	170.62	130.97	20.7 %
Renaissance Worthington	Fort Worth, Texas	504	77.4%	184.65	142.97	16.8 %
Frenchman's Reef & Morning Star Marriott Beach Resort	St. Thomas, U.S. Virgin Islands	502	91.0%	351.14	319.39	6.1 %
Westin San Diego	San Diego, California	436	84.6%	197.49	167.12	6.6 %
Westin Fort Lauderdale Beach Resort	Fort Lauderdale, Florida	432	96.0%	237.77	228.24	(7.3)%
Westin Washington, D.C. City Center	Washington, D.C.	410	82.9%	230.68	191.33	14.9 %
Hilton Boston Downtown	Boston, Massachusetts	403	72.7%	202.90	147.60	(6.8)%
Vail Marriott Mountain Resort & Spa	Vail, Colorado	344	91.7%	422.64	387.75	5.3 %
Marriott Atlanta Alpharetta	Atlanta, Georgia	318	70.2%	179.49	125.98	(1.1)%
Courtyard Manhattan/Midtown East	New York, New York	321	81.9%	196.41	160.86	(7.9)%
The Gwen Chicago	Chicago, Illinois	311	45.2%	161.61	73.10	(17.3)%
Hilton Garden Inn Times Square Central	New York, New York	282	95.2%	174.40	166.10	(3.0)%
Bethesda Marriott Suites	Bethesda, Maryland	272	70.1%	170.50	119.47	22.8 %
Hilton Burlington	Burlington, Vermont	258	67.3%	122.29	82.32	(4.2)%
JW Marriott Denver at Cherry Creek	Denver, Colorado	196	74.4%	242.85	180.69	(8.4)%
Courtyard Manhattan/Fifth Avenue	New York, New York	189	83.3%	198.63	165.38	3.3 %
Sheraton Suites Key West	Key West, Florida	184	93.4%	297.84	278.06	(7.4)%
The Lodge at Sonoma, a Renaissance Resort & Spa	Sonoma, California	182	41.8%	236.41	98.91	(40.3)%
Courtyard Denver Downtown	Denver, Colorado	177	71.5%	187.94	134.32	(4.3)%
Renaissance Charleston	Charleston, South Carolina	166	57.3%	240.22	137.59	(21.8)%
Shorebreak Hotel	Huntington Beach, California	157	62.2%	219.08	136.21	(16.3)%
Inn at Key West	Key West, Florida	106	80.7%	238.63	192.53	(23.4)%
Hotel Rex	San Francisco, California	94	76.2%	249.07	189.72	(4.5)%
L'Auberge de Sedona (2)	Sedona, Arizona	88	81.7%	627.33	512.35	29.0 %
Orchards Inn Sedona (2)	Sedona, Arizona	70	91.5%	257.29	235.48	14.8 %
TOTAL/WEIGHTED AVERAGE (1)		9,630	74.1%	$ 217.62	$ 161.30	1.4 %

(1) The percentage change from 2016 RevPAR reflects the comparable period in 2016 to our 2017 ownership period for our 2017 acquisitions (L'Auberge de Sedona and Orchards Inn Sedona).
(2) The hotel was acquired on February 28, 2017. The operating statistics reflect the period from February 28, 2017 to March 31, 2017.

Highlights

Hotel Acquisitions. In February 2017, we acquired the 88-room L'Auberge de Sedona and the 70-room Orchards Inn Sedona for a total contractual sales price of $97 million.

New Term Loan. On April 26, 2017, we closed on a new five-year $200 million unsecured term loan.

Mortgage Loan Repayment. On April 26, 2017, we repaid the $170.4 million mortgage loan secured by the Lexington Hotel New York using proceeds from the new $200 million unsecured term loan.

Results of Operations

Comparison of the Three Months Ended March 31, 2017 to the Three Months Ended March 31, 2016

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

	Three Months Ended March 31,		
	2017	2016	% Change
Rooms	$ 137.8	$ 149.4	(7.8)%
Food and beverage	44.8	50.4	(11.1)%
Other	13.6	13.2	3.0 %
Total revenues	$ 196.2	$ 213.0	(7.9)%

Our total revenues decreased $16.8 million from $213.0 million for the three months ended March 31, 2016 to $196.2 million for the three months ended March 31, 2017. This decrease includes amounts that are not comparable quarter-over-quarter as follows:

- $9.1 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- $9.4 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.
- $2.5 million decrease from the Hilton Garden Inn Chelsea/New York City, which was sold on July 7, 2016.
- $2.4 million increase from the L'Auberge de Sedona, which was acquired on February 28, 2017.
- $1.0 million increase from the Orchards Inn Sedona, which was acquired on February 28, 2017.

Excluding these non-comparable amounts our total revenues increased $0.8 million, or 0.4%.

The following are key hotel operating statistics for the three months ended March 31, 2017 and 2016. The 2016 amounts reflect the period in 2016 comparable to our ownership period in 2017 for the L'Auberge de Sedona and Orchards Inn Sedona.

	Three Months Ended March 31,		
	2017	2016	% Change
Occupancy %	74.1%	73.3%	0.8 percentage points
ADR	$ 217.62	$ 217.09	0.2%
RevPAR	$ 161.30	$ 159.09	1.4%

Excluding non-comparable amounts from our acquisitions and dispositions, the increase in room revenue is a result of a 4.1% increase in the business transient segment, a 14.9% increase in the contract segment, and a 1.2% increase in the group segment, partially offset by a 2.5% decrease in the leisure transient segment.

Food and beverage revenues decreased $5.6 million from the three months ended March 31, 2016, which includes amounts that are not comparable quarter-over-quarter as follows:

- $2.9 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- $3.7 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.
- $0.1 million decrease from the Hilton Garden Inn Chelsea/New York City, which was sold on July 7, 2016.
- $0.6 million increase from the L'Auberge de Sedona, which was acquired on February 28, 2017.
- $0.5 million increase from the Orchards Inn Sedona, which was acquired on February 28, 2017.

Excluding these non-comparable amounts, food and beverage revenues decreased less than $0.1 million, or 0.1%.

Excluding non-comparable amounts from our acquisitions and dispositions, other revenues, which primarily represent spa, parking, resort fees and attrition and cancellation fees, increased by $0.6 million, primarily due to an increase in cancellation fees and resort fees.

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	% Change (B)/W
Rooms departmental expenses	$ 36.9	$ 38.7	(4.7)%
Food and beverage departmental expenses	29.5	33.4	(11.7)
Other departmental expenses	3.0	3.1	(3.2)
General and administrative	18.0	19.7	(8.6)
Utilities	6.1	6.8	(10.3)
Repairs and maintenance	8.7	9.3	(6.5)
Sales and marketing	13.8	15.7	(12.1)
Franchise fees	5.0	5.3	(5.7)
Base management fees	4.5	5.3	(15.1)
Incentive management fees	1.5	1.3	15.4
Property taxes	12.2	12.3	(0.8)
Other fixed charges	2.3	2.9	(20.7)
Ground rent—Contractual	1.0	2.5	(60.0)
Ground rent—Non-cash	1.5	1.3	15.4
Total hotel operating expenses	$ 144.0	$ 157.6	(8.6)%

Our hotel operating expenses decreased $13.6 million from $157.6 million for the three months ended March 31, 2016 to $144.0 million for the three months ended March 31, 2017. The decrease in hotel operating expenses includes amounts that are not comparable quarter-over-quarter as follows:

- $5.3 million decrease from the Orlando Airport Marriott, which was sold on June 8, 2016.
- $9.0 million decrease from the Minneapolis Hilton, which was sold on June 30, 2016.
- $2.2 million decrease from the Hilton Garden Inn Chelsea/New York City, which was sold on July 7, 2016.
- $1.6 million increase from the L'Auberge de Sedona, which was acquired on February 28, 2017.
- $0.6 million increase from the Orchards Inn Sedona, which was acquired on February 28, 2017.

Excluding the non-comparable amounts, hotel operating expenses increased $0.7 million, or 0.5%, from the three months ended March 31, 2016. The decrease in contractual ground rent quarter over quarter is due to the sale of the Hilton Minneapolis, which was sold on June 30, 2016.

Depreciation and amortization. Depreciation and amortization is recorded on our hotel buildings over 40 years for the periods subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense decreased $0.8 million, or 3.0%, from the three months ended March 31, 2016.

Hotel acquisition costs. We incurred $2.3 million of hotel acquisition costs during the three months ended March 31, 2017 associated with the acquisitions of L'Auberge de Sedona and Orchards Inn Sedona.

Corporate expenses. Corporate expenses principally consist of employee-related costs, including base payroll, bonus and restricted stock. Corporate expenses also include corporate operating costs, professional fees and directors’ fees. Our corporate expenses increased $0.3 million, from $6.0 million for the three months ended March 31, 2016 to $6.3 million for the three months ended March 31, 2017. The increase is partially due to the fee paid for the recruitment of our new Executive Vice President and Chief Operating Officer in January 2017.

Interest expense. Our interest expense was $9.5 million and $11.7 million for the three months ended March 31, 2017 and 2016, respectively, and comprises the following (in millions):

	Three Months Ended March 31,			
	2017		2016	
Mortgage debt interest	$	8.1	$	10.6
Term loan interest		0.6		—
Credit facility interest and unused fees		0.3		0.5
Amortization of deferred financing costs and debt premium		0.5		0.6
	$	9.5	$	11.7

The decrease in mortgage debt interest expense is primarily related to the refinancing of a portion of our total debt at lower interest rates. The weighted-average interest rate for our debt decreased from 4.1% as of March 31, 2016 to 3.8% as of March 31, 2017.

Income taxes. We recorded income tax expense of $1.3 million for the three months ended March 31, 2017 and an income tax benefit of $4.1 million for the three months ended March 31, 2016. The income tax expense for the three months ended March 31, 2017 includes $0.8 million of income tax expense on the $1.9 million pre-tax income of our taxable REIT subsidiaries ("TRS"), $0.1 million of state franchise taxes, and $0.4 million of income tax expense on the TRS that owns Frenchman's Reef. The income tax benefit for the three months ended March 31, 2016 includes $4.6 million of income tax benefit incurred on the $11.1 million pre-tax income of our TRS, offset by $0.4 million of foreign income tax expense incurred on the $6.0 million pre-tax income of the TRS that owns Frenchman's Reef, and $0.1 million of state franchise taxes.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds necessary to fund distributions to our stockholders to maintain our REIT status as well as to pay for operating expenses and capital expenditures directly associated with our hotels, funding of share repurchases under our share repurchase program, debt repayments upon maturity and scheduled debt payments of interest and principal. We currently expect that our available cash flows, which are generally provided through net cash from hotel operations, existing cash balances, equity issuances, proceeds from new financings and refinancings of maturing debt, proceeds from property dispositions, and, if necessary, short-term borrowings under our senior unsecured credit facility, will be sufficient to meet our short-term liquidity requirements.

Some of our mortgage debt agreements contain “cash trap” provisions that are triggered when the hotel’s operating results fall below a certain debt service coverage ratio. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio is reached and maintained for a certain period of time. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt. During 2016, the cash trap provision was triggered on the mortgage loan secured by the Lexington Hotel New York. This provision remained in effect until the repayment of the loan on April 26, 2017.

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

Our Financing Strategy

Since our formation in 2004, we have been committed to a conservative capital structure with prudent leverage. The majority of our outstanding debt is fixed interest rate mortgage debt. We have a preference to maintain a significant portion of our portfolio as unencumbered assets in order to provide balance sheet flexibility. We expect that our strategy will enable us to maintain a balance sheet with an appropriate amount of debt throughout all phases of the lodging cycle. We believe that it is not prudent to increase the inherent risk of highly cyclical lodging fundamentals through the use of a highly leveraged capital structure.

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

We believe that we maintain a reasonable amount of debt. As of March 31, 2017, we had $918.0 million of debt outstanding with a weighted average interest rate of 3.8% and a weighted average maturity date of approximately 5.6 years. We maintain one of the most durable and lowest levered balance sheets among our lodging REIT peers. Following the repayment of the mortgage debt secured by the Lexington Hotel New York on April 26, 2017, we maintain balance sheet flexibility with no near-term debt maturities, capacity under our senior unsecured credit facility and 20 of our 28 hotels unencumbered by mortgage debt. We remain committed to our core strategy of maintaining a simple capital structure with conservative leverage.

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

Share Repurchase Program

Our board of directors has approved a $150 million share repurchase program authorizing us to repurchase shares of our common stock. Information about our share repurchase program is found in Note 5 to the accompanying condensed consolidated financial statements. During the three months ended March 31, 2017, we did not repurchase any shares of our common stock . As of May 5, 2017, we have $143.5 million of authorized capacity remaining under our share repurchase program.

Short-Term Borrowings

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

Senior Unsecured Credit Facility

We are party to a $300 million senior unsecured credit facility expiring in May 2020. Information about our senior unsecured credit facility is found in Note 8 to the accompanying condensed consolidated financial statements. As of March 31, 2017, we had no borrowings outstanding under our senior unsecured credit facility.

Unsecured Term Loans

We are party to a $100 million unsecured term loan expiring in May 2021. On April 26, 2017, we closed on a new $200 million unsecured term loan expiring in April 2022. Information about our unsecured term loans is found in Note 8 to the accompanying condensed consolidated financial statements.

Sources and Uses of Cash

Our principal sources of cash are net cash flow from hotel operations and borrowings under mortgage debt, term loans, our senior unsecured credit facility and proceeds from hotel dispositions. Our principal uses of cash are acquisitions of hotel properties, debt service, debt maturities, capital expenditures, operating costs, corporate expenses and dividends. As of March 31, 2017, we had $112.4 million of unrestricted corporate cash and $48.8 million of restricted cash, as well as full borrowing capacity under our senior unsecured credit facility.

Our net cash provided by operations was $21.9 million for the three months ended March 31, 2017. Our cash from operations generally consists of the net cash flow from hotel operations offset by cash paid for corporate expenses and other working capital changes.

Our net cash used in investing activities was $123.8 million for the three months ended March 31, 2017, which consisted of $93.8 million paid for the acquisitions of L'Auberge de Sedona and Orchards Inn Sedona, capital expenditures at our hotels of $35.8 million, offset by the net return of $5.8 million from property improvement reserves included within restricted cash to fund capital expenditures.

Our net cash used in financing activities was $28.7 million for the three months ended March 31, 2017, which consisted of $25.3 million of dividend payments, $2.9 million of scheduled mortgage debt principal payments, and $0.5 million paid to repurchase shares upon the vesting of restricted stock for the payment of tax withholding obligations.

In addition to the proceeds from our new $200 million unsecured term loan on April 26, 2017, we currently anticipate our significant source of cash for the remainder of the year ending December 31, 2017 will be the net cash flow from hotel operations. In addition to the repayment of the mortgage loan secured by the Lexington Hotel New York on April 26, 2017, we expect our estimated uses of cash for the remainder of the year ending December 31, 2017 will be potential share repurchases, regularly scheduled debt service payments, capital expenditures, dividends, and corporate expenses.

Dividend Policy

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

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

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

We have paid the following dividends to holders of our common stock during 2017:

Payment Date	Record Date	Dividend per Share
January 12, 2017	December 30, 2016	$ 0.125
April 12, 2017	March 31, 2017	$ 0.125

Capital Expenditures

The management and franchise agreements for each of our hotels provide for the establishment of separate property improvement funds to cover, among other things, the cost of replacing and repairing furniture, fixtures and equipment at our hotels and other routine capital expenditures. Contributions to the property improvement fund are calculated as a percentage of hotel revenues. In addition, we may be required to pay for the cost of certain additional improvements that are not permitted to be funded from the property improvement fund under the applicable management or franchise agreement. As of March 31, 2017, we have set aside $28.7 million for capital projects in property improvement funds, which are included in restricted cash.

We spent approximately $35.8 million on capital improvements during the three months ended March 31, 2017, primarily related to the third phase of the Chicago Marriott Downtown renovation and the guest room renovations at the Gwen Chicago, Worthington Renaissance, Charleston Renaissance, and The Lodge at Sonoma. We expect to spend between $110 million and $120 million on capital improvements at our hotels in 2017. Significant projects in 2017 include:

- ***Chicago Marriott Downtown:*** We recently completed the third phase of the multi-year renovation, which included the upgrade renovation of 340 guest rooms. We expect to commence the final phase of the multi-year renovation, which will include renovating the remaining 258 of 1,200 guest rooms, meeting rooms and certain public spaces, during late 2017 with completion in early 2018.
- ***The Gwen:*** We completed the renovation of the hotel's 311 guest rooms in April 2017.
- ***Worthington Renaissance:*** We completed the renovation of the hotel's 504 guest rooms in January 2017.
- ***Charleston Renaissance:*** We completed the renovation of the hotel's 166 guest rooms in February 2017.
- ***The Lodge at Sonoma:*** We commenced the renovation of the hotel's 182 guest rooms in January 2017 and expect to complete the project during the second quarter of 2017.
- ***JW Marriott Denver:*** We expect to renovate the hotel's 196 guest rooms, corridors, meeting space and lobby during the seasonally slow period beginning in late 2017 through early 2018.

Off-Balance Sheet Arrangements

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

Non-GAAP Financial Measures

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

Use and Limitations of Non-GAAP Financial Measures

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

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

EBITDA and FFO

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

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

Adjustments to EBITDA and FFO

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

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

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

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

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

	Three Months Ended March 31,	
	2017	**2016**
Net income	$ 8,887	$ 16,778
Interest expense	9,513	11,664
Income tax expense (benefit)	1,255	(4,081)
Real estate related depreciation and amortization	24,363	25,121
EBITDA	44,018	49,482
Non-cash ground rent	1,550	1,334
Non-cash amortization of favorable and unfavorable contracts, net	(478)	(478)
Hotel acquisition costs	2,251	—
Adjusted EBITDA	$ 47,341	$ 50,338

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

	Three Months Ended March 31,	
	2017	2016
Net income	$ 8,887	$ 16,778
Real estate related depreciation and amortization	24,363	25,121
FFO	33,250	41,899
Non-cash ground rent	1,550	1,334
Non-cash amortization of favorable and unfavorable contracts, net	(478)	(478)
Hotel acquisition costs	2,251	—
Fair value adjustments to debt instruments	—	14
Adjusted FFO	$ 36,573	$ 42,769

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Inflation

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

Seasonality

The operations of hotels historically have been seasonal depending on location, and accordingly, we expect some seasonality in our business. Volatility in our financial performance from the seasonality of the lodging industry could adversely affect our financial condition and results of operations.

New Accounting Pronouncements Not Yet Implemented

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business strategies, the primary market risk to which we are currently exposed, and, to which we expect to be exposed in the future, is interest rate risk. The face amount of our outstanding debt as of March 31, 2017 was $924.3 million, of which $270.4 million was variable rate. If market rates of interest on our variable rate debt fluctuate by 25 basis points, interest expense would increase or decrease, depending on rate movement, future earnings and cash flows, by $0.7 million annually.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

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

Item 1A. *Risk Factors*

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased [1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) [2]
January 1 - January 31, 2017	—	$ —	—	$ 143,503
February 1 - February 28, 2017	34,375	$ 11.20	—	$ 143,503
March 1 - March 31, 2017	10,171	$ 10.88	—	$ 143,503

(1) Reflects shares surrendered to the Company by employees for payment of tax withholding obligations in connection with the vesting of restricted stock.
(2) Represents amounts available under the Company's $150 million share repurchase program. To facilitate repurchases, we make purchases pursuant to a trading plan under Rule 10b5-1 of the Exchange Act, which allows us to repurchase shares during periods when we otherwise may be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. The share repurchase program may be suspended or terminated at any time without prior notice.

Item 3. *Defaults Upon Senior Securities*

Not applicable.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

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Item 6. ***Exhibits***

(a) *Exhibits*

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

Exhibit	
3.1.1	Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Registration Statement on Form S-11 filed with the Securities and Exchange Commission (File No. 333-123065)*)
3.1.2	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2007*)
3.1.3	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2012*)
3.1.4	Articles Supplementary of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 26, 2014*)
3.1.5	Amendment to the Articles of Amendment and Restatement of the Articles of Incorporation of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2016*)
3.2.1	Fourth Amended and Restated Bylaws of DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2016*)
4.1	Form of Certificate for Common Stock for DiamondRock Hospitality Company (*incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 5, 2010*)
10.1†*	Severance Agreement between DiamondRock Hospitality Company and Thomas Healy, dated as of January 17, 2017
10.2	Term Loan Agreement, dated as of April 26, 2017, by and among DiamondRock Hospitality Company, DiamondRock Hospitality Limited Partnership, Regions Bank, as administrative agent, Regions Capital Markets, KeyBanc Capital Markets, PNC Capital Markets LLC and U.S. Bank National Association, as joint lead arrangers, and KeyBank National Association, PNC Bank, National Association and U.S. Bank National Association, as co-syndication agents, and the lenders party thereto (*incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2017*)
10.3*	First Amendment to Term Loan Credit Agreement, dated as of April 26, 2017, by and among DiamondRock Hospitality Limited Partnership, DiamondRock Hospitality Company, KeyBank National Association, as administrative agent, and the lenders party thereto.
10.4*	First Amendment to Fourth Amended and Restated Credit Agreement, dated as of April 26, 2017, by and among DiamondRock Hospitality Limited Partnership, DiamondRock Hospitality Company, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto.
31.1*	Certification of Chief Executive Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
31.2*	Certification of Chief Financial Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Attached as Exhibit 101 to this report are the following materials from DiamondRock Hospitality Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the related notes to these condensed consolidated financial statements.

† Exhibit is a management contract or compensatory plan or arrangement

* Filed herewith

SIGNATURES

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

DiamondRock Hospitality Company

May 5, 2017

/s/ Sean M. Mahoney

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

/s/ Briony R. Quinn

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

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (the "**Agreement**") is made this 17th day of January, 2017, by **DiamondRock Hospitality Company**, a Maryland corporation (the "**REIT**"), with its principal place of business at 3 Bethesda Metro Center, Suite 1500, Bethesda, Maryland 20814 and **Thomas Healy,** residing at 6 South Lake Trail, Andover, NJ 07821 (the "**Executive**"). This Agreement is effective as of January 17, 2017, the first day of employment of the Executive.

1. **Purpose**

The REIT considers it essential to the best interests of its stockholders to promote and preserve the continuous employment of key management personnel. The Board of Directors of the REIT (the "**Board of Directors**") recognizes that, as in the case with many corporations, the possibility of a termination of employment exists and that such possibility, and the uncertainty and questions that it may raise among management, may result in the distraction of key management personnel to the detriment of the REIT and its stockholders. Therefore, the Board of Directors has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the REIT's key management. Nothing in this Agreement shall be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the REIT, the Executive shall not have any right to be retained in the employ of the REIT.

2. **Definitions**

(a) **Accrued Salary**. "Accrued Salary" shall mean accrued and unpaid base salary through the Date of Termination. In addition, in the event the Executive's annual bonus for the REIT's most recently completed fiscal year has not yet been paid to the Executive, then Accrued Salary also shall include such prior fiscal year's earned, accrued and unpaid bonus.

(b) **Cause**. "Cause" for termination shall mean a determination by the Board of Directors in good faith that any of the following events has occurred: (i) indictment of the Executive of, or the conviction or entry of a plea of guilty or nolo contendere by the Executive to any felony, or any misdemeanor involving moral turpitude; (ii) the Executive engaging in conduct which constitutes a material breach of a fiduciary duty or duty of loyalty, including without limitation, misappropriation of funds or property of the REIT, DiamondRock Hospitality Limited Partnership (the "**Operating Partnership**") and their subsidiaries (the REIT, the Operating Partnership and their subsidiaries are hereinafter referred to as the "**DiamondRock Group**") other than an occasional and de minimis use of Company property for personal purposes; (iii) the Executive's willful failure or gross negligence in the performance of his assigned duties for the DiamondRock Group, which failure or gross negligence continues for more than 5 days following the Executive's receipt of written or electronic 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 DiamondRock Group's reputation for honesty and fair dealing or any other conduct of the Executive that would reasonably be expected to result in injury to the reputation of the DiamondRock Group; or (v) willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the REIT to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate, destroy or fail to produce documents or other materials.

For purposes of this Section 2(b), any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors or based upon the written advice of counsel for the DiamondRock Group shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the DiamondRock Group. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of the Board of Directors, finding that, in the good faith opinion of the Board of Directors, the Executive has engaged in the conduct described in this Section 2(b); provided, that if the Executive is a member of the Board of Directors, the Executive shall not vote on such resolution.

(c) **Change in Control**. "Change in Control" shall mean any of the following events:

(i) The conclusion of the acquisition (whether by a merger or otherwise) by any Person (other than a Qualified Affiliate), in a single transaction or a series of related 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**");

(ii) The merger or consolidation of the REIT with or into any other Person other than a Qualified Affiliate, if the directors immediately prior to the merger or consolidation cease to be the majority of the Board of Directors at anytime within 12 months of the completion of the merger or consolidation;

(iii) 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 Operating Partnership; or

(iv) 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.

A Change in Control shall also be deemed to have occurred upon 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.

For purposes of this definition of Change in Control, 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 Operating Partnership; (II) any employee benefit plan (or related trust) sponsored or maintained by the REIT or the Operating Partnership or by any entity controlled by the REIT or the Operating Partnership; 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.

(d) **Date of Termination**. "Date of Termination" shall mean the actual date of the Executive's termination of employment with the REIT.

(e) **Disability**. "Disability" shall mean if the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(f) **Good Reason**. "Good Reason" for termination shall mean the occurrence of one of the following events, without the Executive's prior written consent, provided such event is not corrected within 15 days following the Board of Director's receipt of written or electronic notice of such event: (i) a material diminution in the Executive's duties or responsibilities or any material demotion from the Executive's current position at the REIT, including, without limitation: (A) if the Executive is the CEO, either discontinuing his direct reporting to the Board of Directors or a committee thereof or discontinuing the direct reporting to the CEO by each of the senior executives responsible for finance, legal, acquisition and operations or (B) if the Executive is not the CEO, discontinuing the Executive reporting directly to the CEO or (C) if the Executive is the Chief Accounting Officer, discontinuing the Executive's reporting directly to the Chief Financial Officer or to the Chief Executive Officer; (ii) if the Executive is a member of the Board of Directors, the failure of the REIT or its affiliates 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, except for required travel on the REIT's business to the extent substantially consistent with the Executive's business travel obligations on the date hereof; (iv) failure to pay the Executive any compensation, benefits or to honor any indemnification agreement to which the Executive is entitled within 30 days of the date due; or (v) the occurrence of any of the following events or conditions in the year immediately following a Change in Control: (A) a reduction in the Executive's annual base salary or annual bonus opportunity as in effect immediately prior to the Change in Control; (B) the failure of the REIT to obtain an agreement, reasonably satisfactory to the Executive, from any successor or assign of the REIT to assume and agree to adopt this Agreement for a period of at least two years from the Change in Control.

(g) **Restricted Period**. The "Restricted Period" shall mean, the Executive's employment with the REIT, which period may be extended for an additional period of 12 months if the Executive is entitled to, and receives, the Cash Severance specified under Section 3(b)(2) hereof.

(h) **Retirement.** As used in this Agreement, "Retirement" shall mean a retirement by the Executive if the Executive has been designated as an eligible retiree by the Board of Directors, in the Board's sole discretion.

3. **Effect of Termination**

(a) **Any Termination**. If the Executive's employment with the REIT terminates for any reason, the Executive shall be entitled to any Accrued Salary. The Executive shall have no rights or claims against the DiamondRock Group except to receive the payments and benefits described in this Section 3. 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.

None of the benefits described in this Section 3 (other than Accrued Salary) 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 DiamondRock 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. In addition, the benefits described in this Section 3 (other than Accrued Salary) are conditioned upon the Executive's ongoing compliance with his/her restrictions, covenants and promises under Sections 4, 5, 6 and 7 below (as applicable).

(b) **Termination by the REIT without Cause or by Executive for Good Reason**. If the REIT terminates the Executive's employment without Cause, or the Executive terminates his employment for Good Reason so as to constitute, in either case, a separation from service for purposes of Code Section 409A, then in addition to the benefits under Section 3(a) above, the Executive shall be entitled to receive the following:

(i) a pro-rata bonus for the fiscal year determined through the Date of Termination and calculated based on the target bonus for such fiscal year to be paid within 90 days after the Date of Termination;

(ii) an amount equal to (A) two times (B) the sum of (I) the Executive's base salary in effect immediately prior to the Date of Termination, and (II) the Executive's target annual bonus (collectively, the "**Cash Severance**") to be paid within 90 days after the date of Termination;

(iii) continued payment by the REIT for health insurance coverage for the Executive and the Executive's spouse and dependents for 18 months, consistent with COBRA 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 and/or the REIT's insurer refuses to continue coverage during the 18 month period, the REIT thereafter shall be obliged only to pay monthly to the Executive an amount which, after reduction for applicable income and employment taxes, is equal to the monthly COBRA premium for such insurance for the remainder of such severance period.

(iv) vesting as of the Date of Termination of 100% of all unvested time-based restricted stock awards, to the extent permitted by law. The treatment of equity compensation awards that are not time based vesting (such as restricted stock which vests based on one or more performance metrics) granted after the effective date of this agreement will be specified in the individual grant agreements and/or the applicable plans covering such awards.

(c) **Termination In the Event of Death or Disability**. If the Executive's employment terminates because of the Executive's death or Disability, then in addition to the benefits under Section 3(a) above, the Executive (or his estate or other legal representatives, as the case may be) shall be entitled to receive:

(i) a pro-rata bonus, payable within 90 days after the Date of Termination, for the fiscal year determined through the Date of Termination and calculated based on the target bonus for such fiscal year;

(ii) continued payment by the REIT for health insurance coverage for the Executive and the Executive's spouse and dependents for 18 months, consistent with COBRA, 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 and/or the REIT's insurer refuses to continue coverage during the 18 month period, the REIT thereafter shall be obliged only to pay monthly to the Executive an amount which, after reduction for applicable income and employment taxes, is equal to the monthly COBRA premium for such insurance for the remainder of such severance period.

(iii) vesting as of the Date of Termination of 100% of all unvested time-based restricted stock awards, to the extent permitted by law. The treatment of equity compensation awards that are not time based vesting (such as restricted stock which vests based on one or more performance metrics) granted after the effective date of this agreement will be specified in the individual grant agreements and/or the applicable plans covering such awards.

(d) **Termination In the Event of Retirement**. If the Executive's employment terminates because of his Retirement, then in addition to the benefits under Section 3(a) above, the Executive shall be entitled to receive the following:

(i) a pro-rata bonus, payable within 90 days after the date of termination, for the fiscal year determined through the Date of Termination and calculated based on the target bonus for such fiscal year; and

(ii) notwithstanding the Retirement by the Executive, all unvested time-based restricted stock awards shall continue to vest at the times and on the terms as set forth in the relevant restricted stock award agreements as if the Executive remained continuously employed by the REIT from the Date of Termination through each such vesting date. The treatment of non-time-based equity compensation awards (such as restricted stock which vests based on one or more performance metrics) granted after the effective date of this agreement will be specified in individual grant agreements and/or the applicable plans covering such awards.

(e) **Termination In the Event of a Change in Control**. In the event the Executive's termination of employment occurs in connection with or following a Change in Control, and in the event that any payment made pursuant to Section 3 hereof or any insurance benefits, accelerated vesting, pro-rated bonus or other benefit payable to the Executive under this Agreement or otherwise (the "**Severance Payments**"), are subject to the excise tax imposed by Section 4999 (as it may be amended or replaced) of the Internal Revenue Code of 1986, as amended (the "**Excise Tax**"); then

(i) If the reduction of the Severance Payments to the maximum amount that could be paid to the Executive without giving rise to the Excise Tax (the "**Safe Harbor Cap**") would provide the Executive with a greater after tax benefit than if such amounts were not reduced, then the amounts payable to the Executive under this Agreement shall be reduced (but not below zero) to the Safe Harbor Cap. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing first the payments of cash originating under Section 3 (a)-3(d) hereof, and then by reducing other payments to the extent permitted by any applicable plan and/or agreement.

(ii) If the reduction for the Severance Payments to the Safe Harbor Cap would not result in a greater after tax result to the Executive, no amounts payable under this agreement shall be reduced pursuant to this provision.

(iii) The determination of whether the Excise Tax is payable and the amount thereof 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**"). For purposes of making the calculations required by this Section 3(e), 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 3(e). The REIT shall bear all costs incurred in connection with the performance of the calculations contemplated by this Section 3(e).

4. **Non-Disparagement**

The Executive agrees that he/she will not, whether during or after the Executive's employment with the REIT, make any statement, orally or in writing, regardless of whether such statement is truthful, nor take any action, that (a) in any way could disparage the DiamondRock Group or any officers, executives, directors, partners, managers, members, principals, employees, representatives, or agents of the DiamondRock Group, or which foreseeably could or reasonably could be expected to harm the reputation or goodwill of any of those persons or entities, or (b) in any way, directly or indirectly, could knowingly cause, encourage or condone the making of such statements or the taking of such actions by anyone else.

5. **Non-Competition**

(a) **Non-Competition**. Subject to Section 5(b) hereof, the Executive agrees that during the Restricted Period the Executive shall not, without the prior express written consent of the REIT, directly or indirectly, anywhere in the United States, own an interest in, join, operate, control or participate in, or be connected as an owner, officer, executive, employee, partner, member, manager, shareholder, or principal of or with, any lodging-oriented real estate investment company. Notwithstanding the foregoing, the Executive may own up to one percent (1%) of the outstanding stock of a real estate investment company. The restrictions of this Section 5(a) shall not apply if the Executive's employment with the REIT is terminated without cause by the Company or the Executive effective during the 12 month period immediately following a Change in Control.

(b) **Board's Discretion**. Notwithstanding anything contained herein, the Board of Directors retains the right, in its sole discretion, to shorten or eliminate the post-employment Restricted Period for any Executive.

6. **Non-Solicitation of Employees**. The Executive agrees that while he/she is employed as an employee of the REIT and for a period of 12 months after the termination of the Employee's employment with the REIT for whatever reason, the Employee shall not, without the express written consent of the REIT, hire, solicit, recruit, induce or procure (or assist or encourage any other person or entity to hire, solicit, recruit, induce or procure), directly or indirectly or on behalf of himself or any other person or entity, any officer, executive, director, partner, principal, member, or non-clerical employee of the DiamondRock Group or any person who was an officer, executive, director, partner, principal, member, or non-clerical employee of the DiamondRock Group at any time during the final year of the Executive's employment with the REIT, to work for the Executive or any person or entity with which the Executive is or intends to be affiliated or otherwise directly or indirectly encourage any such person to terminate his or her employment or other relationship with the DiamondRock Group without the prior express written consent of the REIT. Notwithstanding anything contained herein, the foregoing shall not restrain the Executive from hiring, soliciting, recruiting, inducing or procuring any person to work for the Executive or any person or entity with which the Executive is or intends to be affiliated if such person was either terminated by the REIT or such person resigned for Good Reason. In addition, the Board of Directors retains the right, in its sole discretion, to release any Executive from its obligations under this Section.

7. **Injunctive Relief**. The Executive understands that the restrictions contained in Section 4, 5 and 6 of this Agreement are intended to protect the REIT's interests in its proprietary information, goodwill, and its employee and investor relationships, and agrees that such restrictions (and the scope and duration thereof) are necessary, reasonable and appropriate for this purpose. The Executive acknowledges and agrees that it would be difficult to measure any damages caused to the REIT which might result from

any breach by the Executive of his promises and obligations under Sections 4, 5 and/or 6, that the REIT would be irreparably harmed by such breach, and that, in any event, money damages would be an inadequate remedy for any such breach. Therefore, the Executive agrees and consents that the REIT shall be entitled to an injunction or other appropriate equitable relief (in addition to all other remedies it may have for damages or otherwise) to restrain any such breach or threatened breach without showing or proving any actual damage to the REIT; and the REIT shall be entitled to an award of its attorneys fees and costs incurred in enforcing the Executive's obligations under Sections 4, 5 and/or 6.

8. **Miscellaneous**

(a) **409A**. Notwithstanding anything to the contrary, if the Executive is a "key employee" (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of the REIT's stock is publicly traded on an established securities market or otherwise, to the extent necessary to avoid any penalties under Section 409A of the Code, any payment hereunder may not be made before the date that is six months after the date of separation from service.

(b) **Tax Withholding**. All payments made by the REIT under this Agreement shall be net of any tax or other amounts required to be withheld by the REIT under applicable law.

(c) **No Mitigation**. The REIT agrees that, if the Executive's employment by the REIT is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the REIT pursuant to Section 3 hereof. Further, the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the REIT or otherwise.

(d) **No Offset**. The REIT's obligation to make the payments provided for in this Agreement and otherwise perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the REIT, the Operating Partnership or any of their subsidiaries may have against the Executive or others unless such set-off, counterclaim, recoupment, defense, or other right arises from the Executive engaging in conduct which constitutes a material breach of a fiduciary duty or duty of loyalty, including without limitation, misappropriation of funds or property of the Operating Partnership and their subsidiaries.

(e) **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 8(e), including, but not limited to, reasonable attorneys' fees and costs.

(f) **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:

If to the REIT, to:

DiamondRock Hospitality Company
3 Bethesda Metro, Suite 1500
Bethesda, MD 20814
Facsimile: (240) 744-1199
Attn: 1) Lead Director; 2) Chairman of the Board and 3) Chairman of the Compensation Committee

If to the Executive, to:

Mr. Thomas Healy
6 South Lake Trail
Andover, NJ 07821

or to such other address or addresses as either party shall designate to the other in writing from time to time by like notice.

(g) **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.

(h) **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.

(i) **Amendment**. This Agreement may be amended or modified only by a written instrument executed by both the REIT and the Executive.

(j) **Governing Law and Forum**. 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, by a court of competent jurisdiction located within the State of Maryland.

(k) **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.

(l) **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.

(m) **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.

(n) **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. In the event that any portion or provision of this Agreement (including, without limitation, any portion or provision of Sections 4, 5, and/or 6) is determined by a court or arbitrator of competent jurisdiction to be invalid, illegal or otherwise unenforceable by reason of excessive scope as to geographic, temporal or functional coverage, such provision will be reformed and deemed to extend only over the maximum geographic, temporal and functional scope as to which it may be enforceable and shall be enforced by said court or arbitrator accordingly.

(o) **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 J. Tennis
William J. Tennis
Executive Vice President, General Counsel and Corporate Secretary

EXECUTIVE

/s/ Thomas Healy
Thomas Healy

Exhibit 10.3

FIRST AMENDMENT TO
TERM LOAN AGREEMENT

THIS FIRST AMENDMENT TO TERM LOAN CREDIT AGREEMENT (this "Amendment") dated as of April 26, 2017, by and among DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP (the "Borrower"), DIAMONDROCK HOSPITALITY COMPANY (the "Parent"), each of the Lenders party hereto and KEYBANK NATIONAL ASSOCIATION, as Administrative Agent (the "Administrative Agent").

WHEREAS, the Borrower, the Parent, the Lenders, the Administrative Agent and certain other parties have entered into that certain Term Loan Agreement dated as of May 3, 2016 (as amended and in effect immediately prior to the effectiveness of this Amendment, the "Credit Agreement");

WHEREAS, the parties hereto desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

Section 1. Specific Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the parties hereto agree that the Credit Agreement shall be amended as follows:

(a) The Credit Agreement is amended by adding the following definitions to Section 1.1. thereof in the appropriate alphabetical location:

"**Availability Surge Period**" has the meaning given that term in the definition of Maximum Loan Availability.

"**First Amendment Effective Date**" means April 26, 2017.

"**Leverage Ratio Surge Period**" has the meaning given to that term in Section 10.1.(a).

"**New York Mortgage**" has the meaning given that term in Section 13.20.(a).

"**RB Term Loan**" means that certain Term Loan Agreement dated as of April 26, 2017, by and among the Borrower, the Parent, the financial institutions from time to time party thereto, Regions Bank, as administrative agent, and the other parties thereto.

(b) The Credit Agreement is amended by amending and restating clause (c) of the definition of "Applicable Margin" set forth in Section 1.1. thereof in its entirety as follows:

(c) During the Leverage Ratio Surge Period, any Applicable Margin determined as provided above shall be increased by 0.35% unless a Material Acquisition occurred during the Leverage Ratio Surge Period.

(c) The Credit Agreement is amended by amending and restating the definitions of "Approved Manager", "Capitalization Rate", "Loan Party", "Maximum Loan Availability", "Permitted Liens" and "Secured Indebtedness" set forth in Section 1.1. thereof in their entirety as follows:

"**Approved Manager**" means (i) each property management company listed on Schedule 1.1.(a), (ii) any Affiliate thereof and (ii) any other nationally recognized third-party property management company approved by the Administrative Agent in writing.

"**Capitalization Rate**" means (a) 7.25% for Properties developed with hotels categorized as Upscale, Upper Upscale or above Full-Service and located within (i) the central business districts of

Boston, Massachusetts, Chicago, Illinois, Borough of Manhattan, New York, Washington, D.C., San Francisco, California, San Diego, California and (ii) Key West, Florida, or (b) 8.00% for all other Properties. Categorization of hotels shall be as determined by Smith Travel Research or as otherwise requested by the Borrower and consented to in writing by the Requisite Lenders.

"**Loan Party**" means the Borrower, the Parent and each other Guarantor. Schedule 1.1.(b) sets forth the Loan Parties in addition to the Borrower and the Parent as of the Agreement Date.

"**Maximum Loan Availability**" means, at any time, the lesser of (a) 60% of the Unencumbered Property Value; provided, however, that the Borrower shall have the option, exercisable one time, upon written notice from the Borrower to the Administrative Agent that the Borrower is exercising such option, to elect that such percentage may exceed 60% for a period not to exceed two (2) full fiscal quarters, such period to commence on the date set forth in such notice (such period, the "Availability Surge Period"), so long as (i) the Borrower has delivered a written notice to the Administrative Agent that the Borrower is exercising its option for the Availability Surge Period, (ii) such percentage does not exceed 65% at any time during the Availability Surge Period and (iii) the Borrower completed a Material Acquisition which resulted in such ratio (after giving effect to such Material Acquisition) exceeding 60% at any time during the fiscal quarter in which such Material Acquisition took place, or (b) the aggregate principal balance of Indebtedness (excluding Nonrecourse Indebtedness and Indebtedness to the extent owing among the Parent and/or any of its Subsidiaries but including Secured Recourse Indebtedness and the aggregate principal amount of all Loans) of the Parent and the Ownership share of all such Indebtedness of its Subsidiaries that would cause the ratio of (A) Adjusted NOI of the Unencumbered Properties at such time to (B) Implied Debt Service for such period determined with respect to such principal balance of Indebtedness to equal 1.20 to 1.00. The Borrower shall have the option to exercise both a Leverage Ratio Surge Period and an Availability Surge Period in the same notice.

"**Permitted Liens**" means, as to any Person: (a) Liens securing taxes, assessments and other charges or levies imposed by any Governmental Authority (excluding any Lien imposed pursuant to any of the provisions of ERISA or pursuant to any Environmental Laws) or the claims of materialmen, mechanics, carriers, warehousemen or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, which either (x) are not at the time required to be paid or discharged under Section 8.6. or (y) relate to claims not in excess of $500,000 in the aggregate at any one time; (b) Liens consisting of deposits or pledges made, in the ordinary course of business, in connection with, or to secure payment of, obligations under workers' compensation, unemployment insurance or similar Applicable Laws; (c) Liens consisting of encumbrances in the nature of zoning restrictions, easements, and rights or restrictions of record on the use of real property, which do not materially detract from the value of such property or impair the intended use thereof in the business of such Person; (d) the rights of tenants under leases or subleases or licenses not interfering with the ordinary conduct of business of such Person; (e) Liens in favor of the Administrative Agent for the benefit of the Lenders; (f) Liens in favor of the Borrower or a Guarantor securing obligations owing by a Subsidiary to the Borrower or a Guarantor; (g) Liens (i) in existence as of the Agreement Date and set forth in Part II of Schedule 7.1.(f) and (ii) in respect of any New York Mortgage or any mortgage encumbering property located in New York State securing Indebtedness of the Loan Parties pursuant to provisions in loan documentation governing such Indebtedness which provisions are substantially similar to Section 13.20. of this Agreement; (h) Liens arising out of judgments or awards in respect of the Parent or any of its Subsidiaries not constituting an Event of Default under Section 11.1.(i); (i) any interest or title of a lessor under any lease of equipment (not constituting a fixture) entered into by the Borrower or any Subsidiary in the ordinary course of its business and covering only the assets so leased; (j) Liens arising in the ordinary course of business by virtue of any contractual, statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies covering deposit or securities accounts (including funds or other assets credited thereto) and (k) Liens securing the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business and not securing any Indebtedness.

"**Secured Indebtedness**" means, with respect to any Person, (a) all Indebtedness of such Person that is secured in any manner by any Lien on any Property plus (b) such Person's pro rata share of the Secured Indebtedness of any of such Person's Unconsolidated Affiliates; provided that neither any New York Mortgage nor any mortgage encumbering property located in New York State securing Indebtedness of the Loan Parties pursuant to provisions in loan documentation governing such Indebtedness which provisions are substantially similar to Section 13.20 of this Agreement shall constitute Secured Indebtedness hereunder.

(d) The Credit Agreement is amended by deleting the definition of "Surge Period" in Section 1.1. thereof.

(e) The Credit Agreement is amended by amending and restating Section 7.1.(t) thereof its entirety as follows:

(t) Intellectual Property. Each of the Loan Parties and each other Subsidiary owns or has the right to use, under valid license agreements or otherwise, all material patents, licenses, franchises, trademarks, trademark rights, service marks, service mark rights, trade names, trade name rights, trade secrets and copyrights (collectively, "Intellectual Property") necessary to the conduct of its businesses as now conducted and as contemplated by the Loan Documents, without, to the knowledge of the Loan Parties and except as disclosed in writing to the Administrative Agent prior to the First Amendment Effective Date, conflict in any material respect with any patent, license, franchise, trademark, trademark right, service mark, service mark right, trade secret, trade name, copyright, or other proprietary right of any other Person. The Parent, the Borrower and each other Subsidiary have taken all such steps as they deem reasonably necessary to protect their respective rights under and with respect to such Intellectual Property.

(f) The Credit Agreement is amended by amending and restating Section 10.1.(a) thereof its entirety as follows:

(a) Maximum Leverage Ratio. The Parent and the Borrower shall not permit the Leverage Ratio to exceed 60.0% at any time; provided, however, that the Borrower shall have the option, exercisable one time, upon written notice from the Borrower to the Administrative Agent that the Borrower is exercising such option, to elect that the Leverage Ratio may exceed 60.0% for a period not to exceed two (2) full fiscal quarters, such period to commence on the date set forth in such notice (such period, the "Leverage Ratio Surge Period"), so long as (i) the Borrower has delivered a written notice to the Administrative Agent that the Borrower is exercising its option under this subsection (a) and (ii) the Leverage Ratio does not exceed 65.0% at any time during the Leverage Ratio Surge Period. The Borrower shall have the option to exercise both a Leverage Ratio Surge Period and an Availability Surge Period in the same notice.

(g) The Credit Agreement is amended by amending and restating Section 10.1.(e) thereof its entirety as follows:

(e) Minimum Number and Value of Unencumbered Properties. (x) The number of Unencumbered Properties shall not be less than 8 at any time and (y) the aggregate Unencumbered Property Value of the Unencumbered Properties shall not be less than $750,000,000 at any time.

(h) The Credit Agreement is amended by amending and restating Section 10.3. thereof its entirety as follows:

Section 10.3. Indebtedness.

The Parent and the Borrower shall not, and shall not permit any Subsidiary to, incur, assume, or otherwise become obligated in respect of any Indebtedness after the Agreement Date if immediately prior to the assumption, incurring or becoming obligated in respect thereof, or immediately thereafter and after giving effect thereto, a Default or Event of Default is or would be in existence, including without limitation, an Event of Default resulting from a violation of any of the covenants contained in Section 10.1.

(i) The Credit Agreement is amended by amending and restating clause (v) of Section 11.1.(e) thereof its entirety as follows:

(v) There occurs an "Event of Default" under and as defined in the Revolving Facility or the RB Term Loan.

(j) The Credit Agreement is amended by adding Schedule 1.1.(a) attached hereto, which shall be deemed to be Schedule 1.1.(a) to the Credit Agreement, as amended by this Amendment, and the reference to Schedule 1.1. to the Credit Agreement immediately following the table of contents thereof shall be deemed to be a reference to Schedule 1.1.(b) to the Credit Agreement, as amended by this Amendment.

Section 2. Conditions Precedent. The effectiveness of this Amendment, is subject to receipt by the Administrative Agent of the following, each in form and substance satisfactory to the Administrative Agent:

(a) a counterpart of this Amendment duly executed by the Borrower, the Parent, the Administrative Agent and the Requisite Lenders;

(b) a Guarantor Acknowledgement substantially in the form of Exhibit A attached hereto, executed by each Guarantor;

(c) a certified copy of (i) an enforceable amendment to that certain Fourth Amended and Restated Credit Agreement dated as of May 3, 2016, by and among the Borrower, the Parent, the financial institutions from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other parties thereto effected on the date hereof and (ii) that certain Term Loan Agreement dated as of the date hereof, by and among the Borrower, the Parent, the financial institutions from time to time party thereto, Regions Bank, as administrative agent, and the other parties thereto; and

(d) evidence that all fees, expenses and reimbursement amounts due and payable to the Administrative Agent have been paid.

Section 3. Representations. Each of the Parent and the Borrower represents and warrants to the Administrative Agent and the Lenders that:

(a) Authorization. Each of the Borrower the Parent has the right and power, and has taken all necessary action to authorize it, to execute and deliver this Amendment and to perform this Amendment and the Credit Agreement, as amended by this Amendment, in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. This Amendment has been duly executed and delivered by the duly authorized officers, agents and/or signatories of the Borrower and the Parent and each is a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein and as may be limited by equitable principles generally.

(b) Compliance with Laws, etc. The execution and delivery of this Amendment and the performance of this Amendment and the Credit Agreement, as amended by this Amendment, in accordance with their respective terms and the borrowings and other extensions of credit hereunder do not and will not, by the passage of time, the giving of notice, or both: (i) require any Governmental Approval or violate any Applicable Law (including all Environmental Laws) relating to the Borrower or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of any Loan Party, or any indenture, agreement or other instrument to which the Borrower or any other Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by any Loan Party.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof, nor will exist immediately after giving effect to this Amendment.

Section 4. Reaffirmation of Representations by Borrower and Parent. The representations and warranties made or deemed made by the Borrower or any other Loan Party in any Loan Document to which such Loan Party is a party are true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on the date hereof except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall have been true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances specifically and expressly permitted under the Credit Agreement.

Section 5. Certain References. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment.

Section 6. Expenses. The Borrower shall reimburse the Administrative Agent upon demand for all reasonable, documented out-of-pocket costs and expenses (including reasonable attorneys' fees) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 7. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 9. Effect. Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained in Section 1 hereof shall be deemed to have prospective application only from the date this Amendment becomes effective. The Credit Agreement, as herein amended, is hereby ratified and confirmed in all respects. Nothing in this Amendment shall limit, impair or constitute a waiver of the rights, powers or remedies available to the Administrative Agent or the Lenders under the Credit Agreement, as herein amended, or any other Loan Document.

Section 10. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. Signatures hereto delivered by facsimile transmission, emailed .pdf file or other similar forms of electronic transmission shall be deemed original signatures, which hereby may be relied upon by all parties and shall be binding on the respective signor.

Section 11. Loan Documents. This Amendment and the executed Guarantor Acknowledgement substantially in the form attached hereto as Exhibit A shall be deemed to be "Loan Documents" for all purposes under the Credit Agreement and the other Loan Documents.

Section 12. Definitions. All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Credit Agreement, as amended by this Amendment.

[Signatures Commence on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Term Loan Agreement to be executed as of the date first above written.

BORROWER:

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP

By: DiamondRock Hospitality Company, its sole General Partner

By: /s/ Sean M. Mahoney
Name: Sean M. Mahoney
Title: Executive Vice President, Chief Financial Officer and Treasurer

PARENT:

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ Sean M. Mahoney
Name: Sean M. Mahoney
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signatures Continued on Next Page]

THE ADMINISTRATIVE AGENT AND THE LENDERS:

KEYBANK NATIONAL ASSOCIATION, as Administrative Agent and as a Lender

By: /s/ James Komperda
Name: James Komperda
Title: Vice President

[Signatures Continued on Next Page]

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Katie Chowdhry
Name: Katie Chowdhry
Title: Vice President

[Signatures Continued on Next Page]

REGIONS BANK, as a Lender

By: /s/ T. Barrett Vawter
Name: T. Barrett Vawter
Title: Vice President

[Signatures Continued on Next Page]

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Timothy J. Tillman

Name: Timothy J. Tillman

Title: Vice President

[Signatures Continued on Next Page]

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

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

[Signatures Continued on Next Page]

CITIBANK, N.A., as a Lender

By: /s/ John C. Rowland
Name: John C. Rowland
Title: Vice President

EXHIBIT A

FORM OF GUARANTOR ACKNOWLEDGEMENT

THIS GUARANTOR ACKNOWLEDGEMENT dated as of April 26, 2017 (this "Acknowledgement") executed by each of the undersigned (the "Guarantors") in favor of KeyBank National Association, as Administrative Agent (the "Administrative Agent") and each "Lender" a party to the Credit Agreement referred to below (the "Lenders").

WHEREAS, DiamondRock Hospitality Limited Partnership (the "Borrower"), DiamondRock Hospitality Company (the "Parent"), the Lenders, the Administrative Agent and certain other parties have entered into that certain Term Loan Agreement dated as of May 3, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, each of the Guarantors is a party to that certain Guaranty dated as of May 3, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty") pursuant to which they guarantied, among other things, the Borrower's obligations under the Credit Agreement on the terms and conditions contained in the Guaranty;

WHEREAS, the Borrower, the Parent, the Administrative Agent and certain of the Lenders are to enter into the First Amendment to Term Loan Agreement dated as of the date hereof (the "First Amendment"), to amend the Credit Agreement on the terms and conditions contained therein; and

WHEREAS, it is a condition precedent to the effectiveness of the First Amendment that the Guarantors execute and deliver this Acknowledgement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

Section 1. Reaffirmation. Each Guarantor hereby reaffirms its continuing obligations to the Administrative Agent and the Lenders under the Guaranty and agrees that the transactions contemplated by the First Amendment, shall not in any way affect the validity and enforceability of the Guaranty, or reduce, impair or discharge the obligations of such Guarantor thereunder.

Section 2. Governing Law. THIS ACKNOWLEDGEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 3. Counterparts. This Acknowledgement may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. Signatures hereto delivered by facsimile transmission, emailed .pdf file or other similar forms of electronic transmission shall be deemed original signatures, which hereby may be relied upon by all parties and shall be binding on the respective signor.

[Signatures on Next Page]

IN WITNESS WHEREOF, each Guarantor has duly executed and delivered this Guarantor Acknowledgement as of the date and year first written above.

THE GUARANTORS:

DIAMONDROCK HOSPITALITY COMPANY

By:
Name: Sean M. Mahoney
Title: Executive Vice President, Chief Financial Officer and Treasurer

BLOODSTONE TRS, INC.

By:
Name: Sean M. Mahoney
Title: President and Chief Executive Officer

[Signatures Continued on Next Page]

DiamondRock Alpharetta Owner, LLC
DiamondRock Alpharetta Tenant, LLC
DiamondRock Bethesda Tenant, LLC
DiamondRock Boston Broad Street Owner, LLC
DiamondRock Boston Broad Street Tenant, LLC
DiamondRock Burlington Owner, LLC
DiamondRock Burlington Tenant, LLC
DiamondRock Charleston Owner, LLC
DiamondRock Charleston Tenant, LLC
DiamondRock Chicago Conrad Owner, LLC
DiamondRock Chicago Conrad Tenant, LLC
DiamondRock Chicago Owner, LLC
DiamondRock Chicago Tenant, LLC
DiamondRock Denver Downtown Owner, LLC
DiamondRock Denver Downtown Tenant, LLC
DiamondRock FL Owner, LLC
DiamondRock FL Tenant, LLC
DiamondRock HB Owner, LLC
DiamondRock HB Tenant, LLC
DiamondRock Key West North Owner, LLC
DiamondRock Key West North Tenant, LLC
DiamondRock KW South Owner, LLC
DiamondRock KW South Tenant, LLC
DiamondRock SF Sutter Street Owner, LLC
DiamondRock SF Sutter Street Tenant, LLC
DiamondRock Times Square Owner, LLC
DiamondRock Times Square Tenant, LLC
DiamondRock Vail Owner, LLC
DiamondRock Vail Tenant, LLC
DiamondRock AZ Holdings, LLC
DiamondRock AZ LA Owner, LLC
DiamondRock AZ LA Tenant, LLC
DiamondRock AZ OR Owner, LLC
DiamondRock AZ OR Tenant, LLC

By:
Name: Sean M. Mahoney
Title: Director

[Signatures Continued on Next Page]

DiamondRock Bethesda Owner Limited Partnership

By: DiamondRock Bethesda General, LLC, its general partner

By:
Name: Sean M. Mahoney
Title: Director

Schedule 1.1.(a)

Approved Managers

Manager	**Notes**
Access Hotels & Resorts	
AccorHotels	Owner of Fairmont
Ace Hotel Group	
Aimbridge Hospitality	Owner of Evolution, Pillar, InterMountain
Auberge Resorts Collection	
Benchmark Resorts & Hotels	Recently merged with Gemstone
Charlie Palmer Group	
Crescent Hotels & Resorts, LLC,	
Crestline Hotels & Resorts, Inc.	
Concord Hospitality Enterprises Company	
Davidson Hotels & Resorts	
Denihan Hospitality Group	
Four Seasons Hotels & Resorts	
HEI Hotels & Resorts	
Hersha Hospitality Management	
Highgate Hotels	
Hilton Hotels Corporation	
Hyatt Hotels Corporation	
Intercontinental Hotel Group (IHG)	Includes Kimpton Hotels
Interstate Hotel Group	Includes RIM Hospitality
IMH Financial Corp.	
Kessler Collection Management, LLC	
Kokua Hospitality	
Loews Hotels & Resorts	
Magna Hospitality Group, L.C.	
Marriott International, Inc.	Includes Starwood, Ritz-Carlton
Montage Hotels & Resorts	
Noble House IKW, LLC	
Ocean Properties Ltd.	
OLS Hotels & Resorts	
OTO Development, LLc	
Pacifica Hotels	
Provenance Hotels	
Pyramid Hotel Group	
Sage Hospitality Resources, LLC	
sbe Hotel Group	Includes Morgans Hotel Group
Stonebridge Companies	
TPG Hotels & Resorts	
Two Roads Hospitality	Includes JDV, Commune, Destination
Vail Resorts Management Company	
Viceroy Hotel Group	
White Lodging Services	

Exhibit 10.4

FIRST AMENDMENT TO
FOURTH AMENDED and RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO FOURTH AMENDED and RESTATED CREDIT AGREEMENT (this “Amendment”) dated as of April 26, 2017, by and among DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP (the “Borrower”), DIAMONDROCK HOSPITALITY COMPANY (the “Parent”), each of the Lenders party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the “Administrative Agent”).

WHEREAS, the Borrower, the Parent, the Lenders, the Administrative Agent and certain other parties have entered into that certain Fourth Amended and Restated Credit Agreement dated as of May 3, 2016 (as amended and in effect immediately prior to the effectiveness of this Amendment, the “Credit Agreement”);

WHEREAS, the parties hereto desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

Section 1. Specific Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the parties hereto agree that the Credit Agreement shall be amended as follows:

(a) The Credit Agreement is amended by adding the following definitions to Section 1.1. thereof in the appropriate alphabetical location:

“**Availability Surge Period**” has the meaning given that term in the definition of Maximum Loan Availability.

“**Existing Term Loans**” means, collectively, (a) that certain Term Loan Agreement dated as of May 3, 2016, by and among the Borrower, the Parent, the financial institutions from time to time party thereto, KeyBank National Association, as administrative agent, and the other parties thereto and (b) that certain Term Loan Agreement dated as of April 26, 2017, by and among the Borrower, the Parent, the financial institutions from time to time party thereto, Regions Bank, as administrative agent, and the other parties thereto.

“**First Amendment Effective Date**” means April 26, 2017.

“**Leverage Ratio Surge Period**” has the meaning given to that term in Section 10.1.(a).

“**New York Mortgage**” has the meaning given that term in Section 13.20.(a).

(b) The Credit Agreement is amended by amending and restating clause (c) of the definition of “Applicable Margin” set forth in Section 1.1. thereof in its entirety as follows:

(c) During the Leverage Ratio Surge Period, any Applicable Margin determined as provided above shall be increased by 0.35% unless a Material Acquisition occurred during the Leverage Ratio Surge Period.

(c) The Credit Agreement is amended by amending and restating the definitions of “Approved Manager”, “Capitalization Rate”, “Loan Party”, “Maximum Loan Availability”, “Permitted Liens” and “Secured Indebtedness” set forth in Section 1.1. thereof in their entirety as follows:

“**Approved Manager**” means (i) each property management company listed on Schedule 1.1.(a), (ii) any Affiliate thereof and (ii) any other nationally recognized third-party property management company approved by the Administrative Agent in writing.

“**Capitalization Rate**” means (a) 7.25% for Properties developed with hotels categorized as Upscale, Upper Upscale or above Full-Service and located within (i) the central business districts of Boston, Massachusetts, Chicago, Illinois, Borough of Manhattan, New York, Washington, D.C., San Francisco, California, San Diego, California and (ii) Key West, Florida, or (b) 8.00% for all other Properties. Categorization of hotels shall be as determined by Smith Travel Research or as otherwise requested by the Borrower and consented to in writing by the Requisite Lenders.

“**Loan Party**” means the Borrower, the Parent and each other Guarantor. Schedule 1.1.(b) sets forth the Loan Parties in addition to the Borrower and the Parent as of the Agreement Date.

“**Maximum Loan Availability**” means, at any time, the lesser of (a) 60% of the Unencumbered Property Value; <u>provided, however</u>, that the Borrower shall have the option, exercisable one time, upon written notice from the Borrower to the Administrative Agent that the Borrower is exercising such option, to elect that such percentage may exceed 60% for a period not to exceed two (2) full fiscal quarters, such period to commence on the date set forth in such notice (such period, the “Availability Surge Period”), so long as (i) the Borrower has delivered a written notice to the Administrative Agent that the Borrower is exercising its option for the Availability Surge Period, (ii) such percentage does not exceed 65% at any time during the Availability Surge Period and (iii) the Borrower completed a Material Acquisition which resulted in such ratio (after giving effect to such Material Acquisition) exceeding 60% at any time during the fiscal quarter in which such Material Acquisition took place, or (b) the aggregate principal balance of Indebtedness (excluding Nonrecourse Indebtedness and Indebtedness to the extent owing among the Parent and/or any of its Subsidiaries but including Secured Recourse Indebtedness and the aggregate principal amount of all Loans and the aggregate amount of all Letter of Credit Liabilities) of the Parent and the Ownership share of all such Indebtedness of its Subsidiaries that would cause the ratio of (A) Adjusted NOI of the Unencumbered Properties at such time to (B) Implied Debt Service for such period determined with respect to such principal balance of Indebtedness to equal 1.20 to 1.00. The Borrower shall have the option to exercise both a Leverage Ratio Surge Period and an Availability Surge Period in the same notice.

“**Permitted Liens**” means, as to any Person: (a) Liens securing taxes, assessments and other charges or levies imposed by any Governmental Authority (excluding any Lien imposed pursuant to any of the provisions of ERISA or pursuant to any Environmental Laws) or the claims of materialmen, mechanics, carriers, warehousemen or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, which either (x) are not at the time required to be paid or discharged under Section 8.6. or (y) relate to claims not in excess of $500,000 in the aggregate at any one time; (b) Liens consisting of deposits or pledges made, in the ordinary course of business, in connection with, or to secure payment of, obligations under workers’ compensation, unemployment insurance or similar Applicable Laws; (c) Liens consisting of encumbrances in the nature of zoning restrictions, easements, and rights or restrictions of record on the use of real property, which do not materially detract from the value of such property or impair the intended use thereof in the business of such Person; (d) the rights of tenants under leases or subleases or licenses not interfering with the ordinary conduct of business of such Person; (e) Liens in favor of the Administrative Agent for the benefit of the Lenders; (f) Liens in favor of the Borrower or a Guarantor securing obligations owing by a Subsidiary to the Borrower or a Guarantor; (g) Liens (i) in existence as of the Agreement Date and set forth in Part II of Schedule 7.1.(f) and (ii) in respect of any New York Mortgage or any mortgage encumbering property located in New York State securing Indebtedness of the Loan Parties pursuant to provisions in loan documentation governing such Indebtedness which provisions are substantially similar to Section 13.20. of this Agreement; (h) Liens arising out of judgments or awards in respect of the Parent or any of its Subsidiaries not constituting an Event of Default under Section 11.1.(i); (i) any interest or title of a lessor under any lease of equipment (not constituting a fixture) entered into by the Borrower or any Subsidiary in the ordinary course of its business and covering only the assets so leased; (j) Liens arising in the ordinary course of business by virtue of any contractual, statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies covering deposit or securities accounts (including funds or other assets credited thereto) and (k) Liens securing the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business and not securing any Indebtedness.

"**Secured Indebtedness**" means, with respect to any Person, (a) all Indebtedness of such Person that is secured in any manner by any Lien on any Property plus (b) such Person's pro rata share of the Secured Indebtedness of any of such Person's Unconsolidated Affiliates; provided that neither any New York Mortgage nor any mortgage encumbering property located in New York State securing Indebtedness of the Loan Parties pursuant to provisions in loan documentation governing such Indebtedness which provisions are substantially similar to Section 13.20 of this Agreement shall constitute Secured Indebtedness hereunder.

(d) The Credit Agreement is amended by deleting the definition of "Surge Period" in Section 1.1. thereof.

(e) The Credit Agreement is amended by amending and restating Section 7.1.(t) thereof its entirety as follows:

(t) Intellectual Property. Each of the Loan Parties and each other Subsidiary owns or has the right to use, under valid license agreements or otherwise, all material patents, licenses, franchises, trademarks, trademark rights, service marks, service mark rights, trade names, trade name rights, trade secrets and copyrights (collectively, "Intellectual Property") necessary to the conduct of its businesses as now conducted and as contemplated by the Loan Documents, without, to the knowledge of the Loan Parties and except as disclosed in writing to the Administrative Agent prior to the First Amendment Effective Date, conflict in any material respect with any patent, license, franchise, trademark, trademark right, service mark, service mark right, trade secret, trade name, copyright, or other proprietary right of any other Person. The Parent, the Borrower and each other Subsidiary have taken all such steps as they deem reasonably necessary to protect their respective rights under and with respect to such Intellectual Property.

(f) The Credit Agreement is amended by amending and restating Section 10.1.(a) thereof its entirety as follows:

(a) Maximum Leverage Ratio. The Parent and the Borrower shall not permit the Leverage Ratio to exceed 60.0% at any time; provided, however, that the Borrower shall have the option, exercisable one time, upon written notice from the Borrower to the Administrative Agent that the Borrower is exercising such option, to elect that the Leverage Ratio may exceed 60.0% for a period not to exceed two (2) full fiscal quarters, such period to commence on the date set forth in such notice (such period, the "Leverage Ratio Surge Period"), so long as (i) the Borrower has delivered a written notice to the Administrative Agent that the Borrower is exercising its option under this subsection (a) and (ii) the Leverage Ratio does not exceed 65.0% at any time during the Leverage Ratio Surge Period. The Borrower shall have the option to exercise both a Leverage Ratio Surge Period and an Availability Surge Period in the same notice.

(g) The Credit Agreement is amended by amending and restating Section 10.1.(e) thereof its entirety as follows:

(e) Minimum Number and Value of Unencumbered Properties. (x) The number of Unencumbered Properties shall not be less than 8 at any time and (y) the aggregate Unencumbered Property Value of the Unencumbered Properties shall not be less than $750,000,000 at any time.

(h) The Credit Agreement is amended by amending and restating Section 10.3. thereof its entirety as follows:

Section 10.3. Indebtedness.

The Parent and the Borrower shall not, and shall not permit any Subsidiary to, incur, assume, or otherwise become obligated in respect of any Indebtedness after the Agreement Date if immediately prior to the assumption, incurring or becoming obligated in respect thereof, or immediately thereafter and after giving effect thereto, a Default or Event of Default is or would be in existence, including without limitation, an Event of Default resulting from a violation of any of the covenants contained in Section 10.1.

(i) The Credit Agreement is amended by adding "or" at the end of clause (iv) of Section 11.1.(e) thereof and adding the following clause (v) immediately after clause (iv) of Section 11.1.(e) thereof:

(v) There occurs an "Event of Default" under and as defined in either of the Existing Term Loans;

(j) The Credit Agreement is amended by adding Schedule 1.1.(a) attached hereto, which shall be deemed to be Schedule 1.1.(a) to the Credit Agreement, as amended by this Amendment, and the reference to Schedule 1.1. to the Credit Agreement immediately following the table of contents thereof shall be deemed to be a reference to Schedule 1.1.(b) to the Credit Agreement, as amended by this Amendment.

Section 2. Conditions Precedent. The effectiveness of this Amendment, is subject to receipt by the Administrative Agent of the following, each in form and substance satisfactory to the Administrative Agent:

(a) a counterpart of this Amendment duly executed by the Borrower, the Parent, the Administrative Agent and the Requisite Lenders;

(b) a Guarantor Acknowledgement substantially in the form of Exhibit A attached hereto, executed by each Guarantor;

(c) a certified copy of (i) an enforceable amendment to that certain Term Loan Agreement dated as of May 3, 2016, by and among the Borrower, the Parent, the financial institutions from time to time party thereto, KeyBank National Association, as administrative agent, and the other parties thereto effected on the date hereof and (ii) that certain Term Loan Agreement dated as of the date hereof, by and among the Borrower, the Parent, the financial institutions from time to time party thereto, Regions Bank, as administrative agent, and the other parties thereto; and

(d) evidence that all fees, expenses and reimbursement amounts due and payable to the Administrative Agent have been paid.

Section 3. Representations. Each of the Parent and the Borrower represents and warrants to the Administrative Agent and the Lenders that:

(a) Authorization. Each of the Borrower the Parent has the right and power, and has taken all necessary action to authorize it, to execute and deliver this Amendment and to perform this Amendment and the Credit Agreement, as amended by this Amendment, in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. This Amendment has been duly executed and delivered by the duly authorized officers, agents and/or signatories of the Borrower and the Parent and each is a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein and as may be limited by equitable principles generally.

(b) Compliance with Laws, etc. The execution and delivery of this Amendment and the performance of this Amendment and the Credit Agreement, as amended by this Amendment, in accordance with their respective terms and the borrowings and other extensions of credit hereunder do not and will not, by the passage of time, the giving of notice, or both: (i) require any Governmental Approval or violate any Applicable Law (including all Environmental Laws) relating to the Borrower or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of any Loan Party, or any indenture, agreement or other instrument to which the Borrower or any other Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by any Loan Party.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof, nor will exist immediately after giving effect to this Amendment.

Section 4. Reaffirmation of Representations by Borrower and Parent. The representations and warranties made or deemed made by the Borrower or any other Loan Party in any Loan Document to which such Loan Party is a party are true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on the date hereof except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall have been true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances specifically and expressly permitted under the Credit Agreement.

Section 5. Certain References. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment.

Section 6. Expenses. The Borrower shall reimburse the Administrative Agent upon demand for all reasonable, documented out-of-pocket costs and expenses (including reasonable attorneys' fees) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 7. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 9. Effect. Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained in Section 1 hereof shall be deemed to have prospective application only from the date this Amendment becomes effective. The Credit Agreement, as herein amended, is hereby ratified and confirmed in all respects. Nothing in this Amendment shall limit, impair or constitute a waiver of the rights, powers or remedies available to the Administrative Agent or the Lenders under the Credit Agreement, as herein amended, or any other Loan Document.

Section 10. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. Signatures hereto delivered by facsimile transmission, emailed .pdf file or other similar forms of electronic transmission shall be deemed original signatures, which hereby may be relied upon by all parties and shall be binding on the respective signor.

Section 11. Loan Documents. This Amendment and the executed Guarantor Acknowledgement substantially in the form attached hereto as Exhibit A shall be deemed to be "Loan Documents" for all purposes under the Credit Agreement and the other Loan Documents.

Section 12. Definitions. All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Credit Agreement, as amended by this Amendment.

[Signatures Commence on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Fourth Amended and Restated Credit Agreement to be executed as of the date first above written.

BORROWER:

DIAMONDROCK HOSPITALITY LIMITED PARTNERSHIP

By: DiamondRock Hospitality Company, its sole General Partner

By: /s/ Sean M. Mahoney
Name: Sean M. Mahoney
Title: Executive Vice President, Chief Financial Officer and Treasurer

PARENT:

DIAMONDROCK HOSPITALITY COMPANY

By: /s/ Sean M. Mahoney
Name: Sean M. Mahoney
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signatures Continued on Next Page]

THE ADMINISTRATIVE AGENT AND THE LENDERS:

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

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

[Signatures Continued on Next Page]

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

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

[Signatures Continued on Next Page]

CITIBANK, N.A., as a Lender

By: /s/ John C. Rowland
Name: John C. Rowland
Title: Vice President

[Signatures Continued on Next Page]

U.S. BANK NATIONAL ASSOCIATION, as a Lender

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

[Signatures Continued on Next Page]

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ James Komperda
Name: James Komperda
Title: Vice President

[Signatures Continued on Next Page]

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Katie Chowdhry__
Name: Katie Chowdhry
Title: Vice President

[Signatures Continued on Next Page]

REGIONS BANK, as a Lender

By: /s/ T. Barrett Vawter
Name: T. Barrett Vawter
Title: Vice President

[Signatures Continued on Next Page]

BARCLAYS BANK PLC, as a Lender

By: /s/ Craig Malloy
Name: Craig Malloy
Title: Director

[Signatures Continued on Next Page]

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ Murray Mackinnon
Name: Murray Mackinnon
Title: Director

By: /s/ Joanna Soliman
Name: Joanna Soliman
Title: Vice President

EXHIBIT A

FORM OF GUARANTOR ACKNOWLEDGEMENT

THIS GUARANTOR ACKNOWLEDGEMENT dated as of April 26, 2017 (this "Acknowledgement") executed by each of the undersigned (the "Guarantors") in favor of Wells Fargo Bank, National Association, as Administrative Agent (the "Administrative Agent") and each "Lender" a party to the Credit Agreement referred to below (the "Lenders").

WHEREAS, DiamondRock Hospitality Limited Partnership (the "Borrower"), DiamondRock Hospitality Company (the "Parent"), the Lenders, the Administrative Agent and certain other parties have entered into that certain Fourth Amended and Restated Credit Agreement dated as of May 3, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, each of the Guarantors is a party to that certain Amended and Restated Guaranty dated as of May 3, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty") pursuant to which they guarantied, among other things, the Borrower's obligations under the Credit Agreement on the terms and conditions contained in the Guaranty;

WHEREAS, the Borrower, the Parent, the Administrative Agent and certain of the Lenders are to enter into the First Amendment to Fourth Amended and Restated Credit Agreement dated as of the date hereof (the "First Amendment"), to amend the Credit Agreement on the terms and conditions contained therein; and

WHEREAS, it is a condition precedent to the effectiveness of the First Amendment that the Guarantors execute and deliver this Acknowledgement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

Section 1. Reaffirmation. Each Guarantor hereby reaffirms its continuing obligations to the Administrative Agent and the Lenders under the Guaranty and agrees that the transactions contemplated by the First Amendment, shall not in any way affect the validity and enforceability of the Guaranty, or reduce, impair or discharge the obligations of such Guarantor thereunder.

Section 2. Governing Law. THIS ACKNOWLEDGEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 3. Counterparts. This Acknowledgement may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. Signatures hereto delivered by facsimile transmission, emailed .pdf file or other similar forms of electronic transmission shall be deemed original signatures, which hereby may be relied upon by all parties and shall be binding on the respective signor.

[Signatures on Next Page]

IN WITNESS WHEREOF, each Guarantor has duly executed and delivered this Guarantor Acknowledgement as of the date and year first written above.

THE GUARANTORS:

DIAMONDROCK HOSPITALITY COMPANY

By:
Name: Sean M. Mahoney
Title: Executive Vice President, Chief Financial Officer and Treasurer

BLOODSTONE TRS, INC.

By:
Name: Sean M. Mahoney
Title: President and Chief Executive Officer

[Signatures Continued on Next Page]

DiamondRock Alpharetta Owner, LLC
DiamondRock Alpharetta Tenant, LLC
DiamondRock Bethesda Tenant, LLC
DiamondRock Boston Broad Street Owner, LLC
DiamondRock Boston Broad Street Tenant, LLC
DiamondRock Burlington Owner, LLC
DiamondRock Burlington Tenant, LLC
DiamondRock Charleston Owner, LLC
DiamondRock Charleston Tenant, LLC
DiamondRock Chicago Conrad Owner, LLC
DiamondRock Chicago Conrad Tenant, LLC
DiamondRock Chicago Owner, LLC
DiamondRock Chicago Tenant, LLC
DiamondRock Denver Downtown Owner, LLC
DiamondRock Denver Downtown Tenant, LLC
DiamondRock FL Owner, LLC
DiamondRock FL Tenant, LLC
DiamondRock HB Owner, LLC
DiamondRock HB Tenant, LLC
DiamondRock Key West North Owner, LLC
DiamondRock Key West North Tenant, LLC
DiamondRock KW South Owner, LLC
DiamondRock KW South Tenant, LLC
DiamondRock SF Sutter Street Owner, LLC
DiamondRock SF Sutter Street Tenant, LLC
DiamondRock Times Square Owner, LLC
DiamondRock Times Square Tenant, LLC
DiamondRock Vail Owner, LLC
DiamondRock Vail Tenant, LLC
DiamondRock AZ Holdings, LLC
DiamondRock AZ LA Owner, LLC

DiamondRock AZ LA Tenant, LLC

DiamondRock AZ OR Owner, LLC
DiamondRock AZ OR Tenant, LLC

By:
Name: Sean M. Mahoney
Title: Director

[Signatures Continued on Next Page]

DiamondRock Bethesda Owner Limited Partnership

By: DiamondRock Bethesda General, LLC, its general partner

By:
Name: Sean M. Mahoney
Title: Director

Schedule 1.1.(a)

Approved Managers

Manager	**Notes**
Access Hotels & Resorts	
AccorHotels	Owner of Fairmont
Ace Hotel Group	
Aimbridge Hospitality	Owner of Evolution, Pillar, InterMountain
Auberge Resorts Collection	
Benchmark Resorts & Hotels	Recently merged with Gemstone
Charlie Palmer Group	
Crescent Hotels & Resorts, LLC,	
Crestline Hotels & Resorts, Inc.	
Concord Hospitality Enterprises Company	
Davidson Hotels & Resorts	
Denihan Hospitality Group	
Four Seasons Hotels & Resorts	
HEI Hotels & Resorts	
Hersha Hospitality Management	
Highgate Hotels	
Hilton Hotels Corporation	
Hyatt Hotels Corporation	
Intercontinental Hotel Group (IHG)	Includes Kimpton Hotels
Interstate Hotel Group	Includes RIM Hospitality
IMH Financial Corp.	
Kessler Collection Management, LLC	
Kokua Hospitality	
Loews Hotels & Resorts	
Magna Hospitality Group, L.C.	
Marriott International, Inc.	Includes Starwood, Ritz-Carlton
Montage Hotels & Resorts	
Noble House IKW, LLC	
Ocean Properties Ltd.	
OLS Hotels & Resorts	
OTO Development, LLc	
Pacifica Hotels	
Provenance Hotels	
Pyramid Hotel Group	
Sage Hospitality Resources, LLC	
sbe Hotel Group	Includes Morgans Hotel Group
Stonebridge Companies	
TPG Hotels & Resorts	
Two Roads Hospitality	Includes JDV, Commune, Destination
Vail Resorts Management Company	
Viceroy Hotel Group	
White Lodging Services	

Exhibit 31.1

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

I, Mark W. Brugger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiamondRock Hospitality Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

/s/ Mark W. Brugger

Mark W. Brugger
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Sean M. Mahoney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiamondRock Hospitality Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

/s/ Sean M. Mahoney

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

Exhibit 32.1

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

The undersigned officers, who are the Chief Executive Officer and Chief Financial Officer of DiamondRock Hospitality Company (the “Company”), each hereby certifies to the best of his knowledge, that the Company’s Quarterly Report on Form 10-Q (the “Report”) to which this certification is attached, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark W. Brugger	/s/ Sean M. Mahoney
Mark W. Brugger	Sean M. Mahoney
Chief Executive Officer	Executive Vice President and Chief Financial Officer
May 5, 2017	May 5, 2017